



Reaction – leak of the proposal on network charges

Energy Cities advocates for a resilient and affordable energy system that is based on decentralisation and decarbonisation. In this system local stakeholders, including energy communities, local authorities, citizens and SMEs, play an active role.

In a [report](#) containing data and examples, Energy Cities demonstrates that non-fossil flexibility is essential for ensuring resilience, energy security and affordability, as well as offering a valuable alternative to network expansion, and how local stakeholders can play an active role in this.

General reaction

- Energy Cities welcomes the EU Commission’s proposal. Overall, it is moving in the right direction towards making more efficient and cost-effective use of grid infrastructures.
- This objective can be enhanced thanks to some additions and clarifications.

Network Tariffs Design

- Network tariffs shall :
 - consider **both CAPEX and OPEX**
 - contain **time-of-use** elements to reflect the use of the network (remains optional)
 - facilitate **non-fossil-flexibility**, as well as innovation, non-wire solutions, smart grids and digitalisation;
 - ensure that the connection and system integration of **data centers** does not lead to higher network charges for other system users
 - ensure that network charges applicable to **storage installations** reflect any benefits created for the network and are limited to the costs that these installations create for the transmission or distribution networks
- A safeguard is needed on **injection tariffs**, as well as an additional provision to limit long-term **unused reserved grid capacity** (see amendments below).
- **Special tariff regimes** may apply to specific categories of system users, such as energy communities



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- **State funds:** Member States may partially cover network costs through to lower the overall amount of network charges.
- Some clarifications are needed regarding the condition (c), as the meaning of “decarbonization” and “market integration” are too broad (see amendments below).

Smart Grid Indicators

- Regulatory authorities shall promote the deployment of non-wire, smart and digital solutions
- Some additions are needed to enhance the objective of the provision (see amendments below)

Electricity taxation

- The mandate to remove the tax differential between electricity and gas.

Smart meters

- The binding targets of deployment of smart metering and we encourage to make them as ambitious as possible
- Those objectives should be higher for countries that are already advanced in the roll-out of smart metering (see amendments below)

Amendments proposals

Network Tariffs Design	
Commission’s proposal	Amendment 1
<p>Article 18 §2 Tariff methodologies shall include the design of network charges applied to system users and the determination of the remuneration that transmission and distribution system operators receive through those network charges. They shall: (...)</p> <p>(e) provide appropriate incentives to system users to withdraw electricity from and inject electricity into the transmission or distribution networks in a way which supports the efficient functioning of these networks.</p> <p>(...)</p>	<p>Article 18 §2 Tariff methodologies shall include the design of network charges applied to system users and the determination of the remuneration that transmission and distribution system operators receive through those network charges. They shall: (...)</p> <p>(e) provide appropriate incentives to system users to withdraw electricity from and inject electricity into the transmission or distribution networks in a way which supports the efficient functioning of these networks. <u>In case injection charges are applied, advantages and disadvantages of applying such charges are assessed by Regulatory authorities and the decision on whether applying them or not</u></p>



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<p>(l) enable the use of flexible connections, while ensuring this does not delay needed network reinforcements</p> <p>(...)</p>	<p><u>should be duly justified by relevant studies focusing on efficiency gains and potential distortions to the internal market.</u></p> <p>(...)</p> <p>(l) enable the use of flexible connections, while ensuring this does not delay needed network reinforcements <u>and the costs and system beneficial impacts attributed to the flexible Connection are properly reflected. Regulatory authorities evaluate the advantages and disadvantages of flexible connection agreements, considering system-wide impacts, together with other market and non-market based solutions pursuing the same goal</u></p> <p>(...)</p> <p>(p) <u>limit long-term unused reserved grid capacity</u></p>
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Explanation:

On **injection tariffs**, the risk of applying such a charge is that it would harm the business model of renewable energy production, consequently increasing electricity prices for consumers in the long term.

On **flexible connections**, users that offer a valuable service through flexible grid use should be offered lower tariffs that reflect the lower costs and additional value they create (e.g. temporarily avoided network reinforcement costs), but this requires an assessment of the system and market impacts of the network users when a flexible connection is applied.

On **unused reserved capacity**, this issue should also be addressed through network charges, as this would free up more grid capacity without investing resources in grid expansion or smartisation.

State funds

Commission’s proposal

Article 18 §4

Member States may partially cover network costs through State funds to lower the overall amount of network charges imposed on system users provided that the following requirements are met:

Amendment 2

Article 18 §4

Member States may partially cover network costs through State funds to lower the overall amount of network charges imposed on system users provided that the following requirements are met:



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<p>(a) the State funding shall be provided in a non-discriminatory manner, without selectively favouring, directly or indirectly, specific categories of system users;</p> <p>(b) the provision of State funds shall not undermine any incentives provided to system operators for the efficient operation and development of the network and to system users to adjust their consumption to lower the overall costs of the transmission and distribution systems;</p> <p>(c) the State funds shall only cover the additional costs resulting from measures to accelerate decarbonisation and market integration; and</p> <p>(d) the provision of State funds shall not be to the detriment of competition or the effective functioning of the internal market for electricity.</p>	<p>(a) the State funding shall be provided in a non-discriminatory manner, without selectively favouring, directly or indirectly, specific categories of system users;</p> <p>(b) the provision of State funds shall not undermine any incentives provided to system operators for the efficient operation and development of the network and to system users to adjust their consumption to lower the overall costs of the transmission and distribution systems;</p> <p>(c) the State funds shall only cover the additional costs resulting from measures to accelerate decarbonisation, smart metering systems roll-out, and market integration, as well as encourage lower network tariffs on electricity and</p> <p>(d) the provision of State funds shall not be to the detriment of competition or the effective functioning of the internal market for electricity.</p>
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Explanation:

On the one hand, invest in grid smartisation and expansion. On the other hand, decrease the electricity network charges. This is the unsolvable dilemma facing Member States that State funds must address. This will make easier to fulfil the electricity taxation objective set out in Article 18c of the proposal.

Rolling out smart meter systems is essential to making grids smarter and cost-effective. However, it is unclear whether that cost is linked to decarbonisation and market integration.

Smart Grid Indicators

Commission's proposal	Amendment 3
<p>Article 18b §1: Regulatory authorities shall promote the deployment of non-wire, smart and digital solutions, whenever such technologies and solutions efficiently enhance the usable capacity, flexibility and reliability of electricity transmission and distribution networks.</p>	<p>Article 18b §1: Regulatory authorities shall promote transparency on grid capacity, the deployment of non-wire, smart and digital solutions, whenever such technologies and solutions efficiently enhance a cost-effective use of the grids, such as non-fossil flexibility and grid-enhancing technologies, the usable capacity,</p>



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	flexibility and reliability of electricity transmission and distribution networks.
<p>Explanation: Cost-effective use of the grid must remain the main objective of the deployment of non-wire, smart and digital solutions.</p> <p>Transparency on grid capacity is another essential aspect for efficient and cost-effective grids that must be promoted by regulatory authorities. Transparency enables grids users to identify grid-conscious locations for their facilities. Tools like interactive maps, offering detailed and regularly updated information down to individual properties, help provide clarity on connectivity options</p>	
<h3 style="color: #00A651;">Smart meters</h3>	
<h4 style="color: #0070C0;">Commission's proposal</h4>	<h4 style="color: #C00000;">Amendment 5</h4>
<p>Article 18b §1: Member States shall ensure the deployment in their territories of smart metering systems covering at least [50]% of all final customers by [31 December 2030] and [65]% by [31 December 2033], to enable the active participation of final customers in the electricity market. Deployment beyond that level may be subject to a cost benefit assessment which shall be undertaken in accordance with the principles laid down in Annex II of Directive (EU) 2019/944. The functionalities of these smart metering systems shall meet the requirements set out in Article 20 of Directive (EU) 2019/944.</p>	<p>Article 18b §1: Member States shall ensure the deployment in their territories of smart metering systems covering at least [50]% of all final customers by [31 December 2030] and [65]% by [31 December 2033], to enable the active participation of final customers in the electricity market. <u>Member States that have already reached the 50% target by ... (when the Directive enters into force) must aim at least 65% by 2030 and 80% by 2033.</u> Deployment beyond that level may be subject to a cost benefit assessment which shall be undertaken in accordance with the principles laid down in Annex II of Directive (EU) 2019/944. The functionalities of these smart metering systems shall meet the requirements set out in Article 20 of Directive (EU) 2019/944.</p>
<p>Explanation: Smart meters are being rolled out at very different speeds across Member States. This reality must be considered, and this provision must accelerate the smart meter roll-out in every Member States.</p>	