Grids Package

Eurelectric recommendations

November 2025

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry 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.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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WG Regulation & Network Customers

Contact:
Zsuzsanna Csekő
Senior Advisor Distribution & Market Facilitation
zcseko@eurelectric.org

Eurelectric recommendations for the Grids Package

Distribution grids serve as the backbone for our modern electricity system. They connect 70% of new renewables and the majority of household and industrial electric solutions, including heat pumps and electric vehicle chargers. Unfortunately, today 30% of Europe's low voltage distribution grids are over 40 years old (beyond their expected lifetime), and if we do not act decisively over the next 25 years, that number will jump to 90%. Failure to invest in distribution grid renewal, expansion and digitalisation will stall much-needed electricity connections and their benefits such as emissions reductions, greater energy efficiency and lower energy bills.

Eurelectric welcomes the work of the European Commission on the forthcoming Grids Package and its continued action to address these challenges at the European level. While the existing legal framework for distribution grids is generally fit for purpose, we propose targeted changes which i) ensure a predictable and stable regulatory framework to support DSO financing, ii) simplify permitting and public procurement process iii) streamline access to funding, iv) increase resilience of distribution networks against physical and cyber threats v) apply practical planning practices which allow for necessary modernisation of the grid in a cost-efficient manner, and vi) provide alternatives to the "first come, first served" approach and support national regulatory authorities (NRAs) or national governments to set prioritisation criteria that is most efficient for their localities.

Main measures to achieve these policy goals:

1. Predictable and stable regulatory framework to support financing of grid investments

Electrification is essential for Europe's energy independence and decarbonisation goals under RePowerEU and Fit for 55, which require secure and resilient electricity networks. To support necessary grid investments, regulatory frameworks must ensure competitive returns and reflect investment costs consistently and promptly in allowed revenue. Additionally, regulation could enhance remuneration schemes by treating CAPEX and OPEX costs in an equal manner, thus promoting both traditional network assets and other investments (e.g. digital technologies, cybersecurity measures).

To ensure long term stability (accounting for the increase in network investments required to meet climate goals), each price review should not be viewed in isolation but as a crucial part of a longer-term set of investment needs. This will provide DSOs, their contracting partners and supply chains certainty to scale up their business and investments.

Regulation should be agile and should not place additional administrative burden that impacts a DSO's ability to deliver. Incentives must support positive behaviour that enable DSOs to meet incentivised goals. It is important that regulators ensure the attractiveness of electricity grids to financial investors. To achieve this, the regulatory return must be competitive in international financial markets to attract sufficient capital, as network investments compete with investments in other industries and jurisdictions.

We recommend the Commission to:

1. Ensure competitive returns for grids in line with international financial markets. NRAs should monitor the investment environment and regularly update at least the debt component of the weighted average cost of capital (WACC), if the investment environment has changed significantly.
2. Ensure investment recognition in allowed revenue at least once per year. Even the non-activated investments in progress must be recognised on yearly basis, to leave enough cash flow for other investments.
3. Apply regulatory incentives for grid buildout, including anticipatory investments, and incentivise the uptake of optimising technologies that can complement the investment in physical grid assets.
4. Regulatory incentives for the use of funding, regardless of their origin, by recognising the OPEX cost of funded projects and the depreciation of the investments (including the funded part), as these assets will also need to be changed at the end of their lifetime, as well as adding a specific incentive on top to motivate grid operators to use funds.
5. Implement the aforementioned suggestions during the upcoming review of the EU Governance Regulation[1] in alignment with National Energy and Climate Plans.

2. Streamlined and simplified access to public funding

Eurelectric estimates[2] show that close to double the current investment level is needed over the next 25 years for distribution grids across Europe. Although network tariffs will remain the main cost recovery mechanism, the accelerated pace of electrification is expected to require a significant upfront investment. We suggest allocating dedicated EU funds for distribution network investments in the upcoming Multiannual Financial Framework (MFF), in line with the key priorities of improving European industrial competitiveness and maintaining affordability. This will help to mitigate affordability concerns, however, will not solve the additional investment need.

The upfront cost of ensuring that distribution grids are fit to deliver their part of the energy transition during a period of projected rapid electrification will be substantial. Electrification will provide several public benefits, including the lowering of carbon emissions and more affordable and predictable energy prices. Public funding could be gradually phased out as electrification rises and network charges are spread more equitably among a larger user base.

[1] Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action
[2] Grids for Speed, 2024, Eurelectric

Concrete actions which can streamline and simplify DSOs' access to public funding include:

1. Creating a decentralised grid facility in the MFF which specifically earmarks a proportion of all funds associated with electrification available for distribution network modernisation, enhancement, upgrade or expansion.
2. Maintaining the Commission's proposed expansion of the CEF-E funds under the 2027-2032 MFF and creating a specific subcategory for distribution grids which isn't limited to smart grid projects.
3. Reducing the complexity in the application and compliance process for PCI and PMI project status – currently only 5% of CEF-E funds go to DSO projects despite DSOs connecting the majority of new renewables and electrified end-uses.
4. Treating energy infrastructure investments as strategic and shielded from political disruptions, for example by implementing pre-qualification mechanisms for projects that meet EU strategic criteria.
5. Recognising regulatory incentives for funding, the additional OPEX cost generated by funding projects, and the depreciation in tariff methodologies (including the funded part) as these assets will also need to be changed at the end of their lifetime, as well as adding an additional incentive to motivate grid operators to use funds.

3. Simplified permitting processes

Streamlined permitting and public procurement processes are vital for accelerating grid development. When permits are delayed or procurement processes are prolonged, the connection of customers to the grid is delayed until the necessary projects are approved and implemented.

To broaden the scope of projects eligible for this reduced timeline, distribution priority corridors should be introduced based on Distribution Network Development Plans (DNDPs), complementing the DSO priority corridors outlined in Annex 1 of the TEN-E Regulation. Aligning these distribution priority corridors with the grid acceleration areas described in Article 15(e) of the revised Renewable Energy Directive (EU/2023/2413) would further enhance efficiency, as such projects would be exempt from case-specific environmental impact assessments.

DSOs should be able to change the equipment and voltage levels on lines already built with existing easement rights without redoing the permitting process (or have a significantly streamlined process).

In certain Member States, public procurements can take up to 2.5 years, which slows down implementation. Therefore, we suggest simplifying the process and capping the maximum length of public procurements at 6 months. We also recommend indexing public procurement thresholds by the relevant inflation indices annually.

In order to ensure timely project deployment, we recommend:

1. Expanding RED III Article 15 provisions to all electricity distribution grid projects
2. Developing a set of guiding principles on permitting and apply a 6-month cap of DSO permit-granting processes. We recommend a 6-month cap for land use and conversion of agricultural fields to industrial use.
3. Guiding national regulators to incentivise utilities to allow anticipatory network investments
4. Extending the possibility of granting the Overriding Public Interest to distribution grids as 70% of renewable energy sources are connected on distribution level.
5. Streamlining and capping maximum time of public procurements to six months for DSO projects and index public procurement thresholds with the relevant inflation indices on an annual basis.

Strengthened supply chains

Network assets continue to have long lead times due to limited manufacturing capacity in Europe, lengthy and complex public procurement procedures, which most European DSOs are subject to, as well as increasing raw materials costs.

DSOs cannot operate their networks without high quality and safe network assets. It is imperative that the EU does as much as possible toward strengthening supply chains to ensure network operators have speedy access to these assets. The recent Grids Manufacturing Package approved by the EIB is a step in the right direction, and we encourage European policymakers to explore similar derisking mechanisms to support European manufacturing of grid components and innovative technologies.

Furthermore, the challenge of access to raw materials critical to the development of these assets remains high. We would encourage European policymakers to explore diverse long-term trade partnerships to lessen single-source dependency on these materials and encourage competition between providers for the most cost-efficient acquisition of these materials. At the same time, innovative technologies using less raw materials and recycling of raw materials should be incentivised within the EU.

4. Resilient networks

Electricity grids are critical infrastructure facing growing risks of sabotage, extreme weather and geopolitical tensions, making their physical and cyber resilience more important than ever. Grid reinforcement must account for long-term climate threats, with national regulators incentivising proactive preparedness and recognising climate adaptation costs as long-term savings. Cybersecurity is also increasingly vital, as digitalisation expands the attack surface for energy utilities and as the number of unsecured components have increased along with this. EU-legislation like the NIS2 directive and Cyber Resilience Act must be transposed in an effective and coordinated manner, and we welcome that it applies regardless of location of production. Regulatory frameworks and EU network codes should acknowledge the costs of resilience and cybersecurity, and new regulations should only be proposed when clearly necessary and not duplicative.

What can European regulation do to make grid resilience a reality:

1. NRAs should be explicitly responsible for addressing climate adaptation of electricity grid infrastructure. National regulatory frameworks should also recognise climate adaptation measures to lower costs in the long-term. We propose adapting the EU Governance Regulation to achieve this.
2. Grid planning should incorporate a resiliency perspective by embedding considerations of physical, cyber and climate resilience in the NECPs and DNDPs.
3. Environmental criteria within public procurement procedures should incorporate climate adaptation aspects, ensuring that new products have longer lifetimes and contribute to overall system resilience.
4. Ensure interoperability and implementation of cyber legislation to enhance cooperation within the EU. On digital legislation, there is a need to ensure interoperability and cohesiveness of all digital regulations.

5. Practical planning practices

Network development plans already serve as a rich source of information. While improvements in transparency are needed, we caution against premature reforms or the introduction of new parameters. In many Member States, only one iteration of the two-year network development planning cycle has been completed, making it too early to determine whether European-level adjustments are necessary or whether national processes will evolve organically. We believe that the actions that were set out in the Grid Action Plan with regards to planning are well designed to meet the current innovation and coordination need.

Importantly, while cross-border planning justifies a more integrated approach at the transmission level, distribution planning remains fundamentally regional and local. Therefore, attempts to extend transnational frameworks to DSOs should be approached with caution. To improve the quality and accuracy of national TNDPs and the EU TYNDP scenarios, we recommend that DSO data and projections be used as a key source to ensure appropriate capacity allocation and expansion for DSOs. This is also crucial from a renewable planning perspective, since DSOs connect more than 2/3 of new renewable resources.

When adjusting the existing regulatory framework for network planning, policymakers should:

1. Ensure long-term network planning and better coordination with stakeholders by calling on NRAs to mandate TSOs to include DSO data, forecasts and needs in their development plans (both TNDPs and TYNDPs), ensuring that local developments are adequately supported by upstream infrastructure.
2. Avoid unnecessary iterations of central planning exercises for DSOs considering their uniquely local character.
3. Mandate the EU DSO Entity to create an easily accessible repository of DNDPs from all EU Member States so stakeholders can effectively engage in their respective DNDP process and introduce an executive summary template so that key indicators are readily accessible to stakeholders and easily comparable across Member States.

4. Improve the transparency of planning exercises by implementing opensource (i.e. verifiable) modelling for exercises like TYNDP, ERAA (European Resource Adequacy Assessment), FNA (Flexibility Needs Assessment).

While TYNDPs focus on long-term network planning, the ERAA (European Resource Adequacy Assessment) assesses whether resources are adequate during times of scarcity, and the FNA (Flexibility Needs Assessment) identifies the flexibility required to integrate renewables and balance the system. Together, these are key pieces of the puzzle to ensure security of supply in the EU. Today, the Stakeholder Reference Group (SRG) already plays an active role in the TYNDP. ENTSOs have been very open in sharing their methodologies and willing to take on board stakeholder suggestions, which has proven extremely valuable. We believe this model should be extended: the SRG – or a similar structured stakeholder engagement – should also be established for ERAA and FNA. At the very least, TSOs should engage with stakeholders on ERAA and FNA in a manner comparable to TYNDP.

Strengthening structured dialogue in this way would improve transparency, trust, and the robustness of results – ensuring these critical assessments fully support Europe's security of supply objectives.

Access to tools for connection management beyond FCFS for those who want it

Distribution networks are the backbone of the energy transition. Roughly 70% of new renewable assets and the vast majority of electric end-uses will be connected at distribution level by 2030. Connecting these assets represents a significant challenge, especially given the increase in connection requests. “First come, first served” (FCFS) as today’s non-discriminatory approach to connection queues may not be suitable in the future, as immature and speculative connection requests prevent more mature projects from materialising on the grid and waste planning capacities of DSOs. Therefore, clear legislation is needed on how to assign the connections, providing the best value to society. The national regulator shall provide connection rules, including prioritisation, if any.

Three approaches may work in the European context to allow DSOs to actively manage connection queues:

Priority is given first to congestion-relievers (e.g., batteries enhancing grid capacity), followed by essential security services (police, hospitals), and finally, basic needs (education, housing, heating). Within each group, first come, first served applies, and allocated capacity must align with core activities.

The Gate 2 queue formation process is based on readiness (land or planning requirements) and strategic alignment with long-term energy plans. Projects meeting these criteria enter a nationwide queue, prioritized by historical position, to fulfill 2030 capacity targets. If milestones aren’t met, projects are replaced. Remaining projects are evaluated for 2035 connections based on technology type and network zone.

Denmark follows a “most ready – first connected” approach, where connections are offered to customers who submit documentation first, with network space reserved only upon fee payment, prioritizing project maturity and commitment.

Before introducing performance metrics (e.g. KPIs for connection times), it is vital to ensure operators have the mandates, resources and legal certainty they need to respond to the exponential growth in connection requests. We urge the Commission to focus on enabling system operators through appropriate mandates from Member States and regulatory authorities, where there is an obvious scarcity of capacity FCFS must be overcome. In particular, we advocate for strong guidance on non-discriminatory queue management practices, as well as recognition of technological investments that support faster and fairer connections. An approach to use the FCFS rule complemented with economic guarantees and proof of land use rights is a valid tool to prevent speculative connection requests. Imposing rigid benchmarks in a constrained regulatory environment may risk penalising good-faith efforts rather than incentivising progress.

The EU legislative framework provides a solid foundation to deliver on the EU's key energy policy objectives, namely market integration, energy security, affordability and interconnection. Built over successive legislative initiatives, particularly the Clean Energy Package, the existing framework has effectively enabled greater harmonisation, transparency and cooperation across borders, contributing to a more integrated and efficient electricity market. At the same time, due to the unprecedented upturn in electricity connection needs caused by renewables, industry and the electrification of other sectors (as transport and heating), there is a huge gap between the expectations and realities of existing networks. The gap shall be closed within the most time- and cost-efficient manner by upgrading grids to the necessary level.

Eurelectric asks for the following policy and legislative measures:

1. Develop incentivising, predictable regulation that supports necessary grid investments
   - 1.1. Modernise regulatory mandates via the upcoming review of the EU Governance Regulation.
   - 1.2. Member States to develop incentivising and predictable regulation following the Commission's Tariff Recommendation and support anticipatory investments.
   - 1.3. This shall be backed by Member States developing regulation incentivising investment with competitive returns, the regular eligibility of investments
   - 1.4. NRAs shall ensure that regulatory frameworks incentivise the efficient use of public and EU funding by allowing the recognition of the OPEX associated with the implementation of funded projects and the depreciation of assets (including the funded part) financed through such funding within the regulated revenue base of system operators, adding an incentive on top to motivate DSOs to use funding opportunities and thus help with affordability.

2. Ensure sufficient funding for DSOs to enable and maintain affordable tariffs for grid users
   - 2.1. Ensure funding dedicated for DSOs in CEF-Energy
   - 2.2. Reviewing the TEN-E framework to improve the access of relevant stakeholders to EU funds and particularly the CEF, including for electricity DSOs
   - 2.3. Tailored funding for DSOs in the national funding envelope (e.g. Cohesion Fund, NRRP, etc.)
   - 2.4. Streamlined and efficient funding application processes

3. Alleviate bottlenecks by simplifying and streamlining permit-granting processes
   - 3.1. Implement the provisions of RED III (Grid Acceleration Areas) and extend these provisions to all electricity distribution network projects
   - 3.2. Digital platform for a one-stop-shop grid related permitting processes (especially lines and substations)
   - 3.3. Exclude the need for an Environment Impact Assessment (EIA) where possible, or make exemptions for project smaller projects (e.g. less than 5 hectars)

3.4. Treat power substations and power lines as a strategic infrastructure requiring faster approval

4. Strengthen supply chains to ensure system operators have speedy access to network assets that meet EU supply standards and are European produced
   4.1. The European regulation is on good track with NZIA and the Grids Manufacturing Package of EIB
   4.2. European Manufacturers should be encouraged to plan and publicate their future manufacturing capacities in line with DNDPs and TYNDPs and to streamline their processes and improve the delivery lead times of network assets
   4.3. The Public Procurement Directives should be simplified and enhance process flexibility, while ensuring procurement also enhances resilience, security, and sustainability.

5. Enhance physical, climate and cyber resilience by recognising and remunerating associated investments in securing our energy system
   5.1. Europe has a strong cyber and physical resiliency legislative background (e.g NIS2, CER, CRA, NCCS), implementation of the existing legislation is key
   5.2. National Regulators should incentivise and make the costs related to cyber and physical resiliency eligible in regulation
   5.3. Funding should be dedicated to cyber, climate, and physical resilience

6. Network planning, TSO and DSO cooperation
   6.1. Member States need to fully implement Directive 2019/944 regarding DNDPs with a 5–10-year horizon and adapt regulatory frameworks to anticipatory investment. DSOs shall follow integrated grid planning processes.
   6.2. DSO capacity needs, and more coordination between DSOs and TSOs, must be included as a priority in the TYNDP. DSOs' data must be part of the scenario building process of the TSOs in the T(Y)NDPs, where the TSOs should be required to take into account the specific knowledge of DSOs regarding renewable and industrial capacity development. SOs should share their short-, medium-, and long-term forecasts with each other.
   6.3. TSOs must be incentivised to plan with sufficient capacity headroom – as a result of anticipatory investments – at the connection points between TSOs and DSOs based on the expected capacity needs of DSOs. If this is not done, it may impede DSOs' ability to connect renewables to the distribution grid and the DSOs' ability to provide sufficient capacity for the electrification and decarbonisation of buildings, industry, and transport.
   6.4. To actively manage the utilisation of networks, operational information must be bidirectionally shared between TSOs and DSOs in a transparent, timely and regular way.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org

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