E.DSO Proposal for amendments to TEN-E Regulation

Introduction

E.DSO welcomes the Commission's proposal for revising the Regulation (EU) No 347/2013 ("TEN-E Regulation"). We consider the revision of the TEN-E regulation as a key opportunity for Europe to make the regulatory framework fit for purpose.

Representing leading distribution system operators in Europe, **E.DSO and its members are committed to rolling-out and maintaining a high-class infrastructure to European citizens**. By guaranteeing reliability and quality of electricity supply in an interconnected Europe while substantially contributing to the EUs climate agenda and decarbonisation objectives (90% of RES generation is connected to the distribution grid), DSOs have a key role to play in the future Trans-European energy networks.

Accelerated electrification of end-uses and higher loads of RES will require grid reinforcements mainly at distribution level. Grid will have to get smarter to better integrate these new evolutions. Strengthening smart grids development in Europe is key, including through legislative frameworks such as the TEN-E Regulation and dedicated funds such as the Connecting Europe Facility (CEF). Indeed, a recent study carried out by E.DSO, Eurelectric and Deloitte, highlights that approximately €400 billion investments are required in the distribution networks to fully achieve the energy transition in 2030[1].

We consider that, in the future, projects benefitting from a Projects of Common Interest (PCIs) status should contribute to meeting the EU's decarbonisation objectives. Therefore, only those projects that are fully in line with the climate neutrality goal should receive funding from the Connecting Europe Facility (CEF). To make the regulatory framework fit for purpose we focus a particular attention to Article 16 and 17 of the TEN-E Regulation.

E.DSO would like to take the opportunity to make some suggestions for amendments on how the Regulation could be further improved. Those amendments are based on the well-thought-out reflections of E.DSO experts and we remain at policy makers' disposal to discuss further in detail on the development of the infrastructure necessary to the achievement of EU objectives.

[1] Grid investments study, available at: https://www.edsoforsmartgrids.eu/connecting-the-dots-distribution-grid-investment-to-power-the-energy-transition-2/

Table 1. E.DSO suggested amendments to the specific provisions of TEN-E Regulation

CHAPTER	Provisions of the revised TEN-E Regulation	E.DSO suggested amendments	Justification
CHAPTER I **GENERAL PROVISIONS**	**Article 1 Subject matter** 1. This Regulation lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure set out in Annex I ('energy infrastructure priority corridors and areas') that contribute to the Union's 2030 climate and energy targets and the climate neutrality objective by 2050. 2. In particular, this Regulation: a) addresses the identification of projects of common interest necessary to implement priority corridors and areas falling under the energy infrastructure categories in electricity, smart gas grids, hydrogen, electrolysers, and carbon dioxide set out in Annex II ('energy infrastructure categories'); b) facilitates the timely implementation of projects of common interest by streamlining, coordinating more closely, and accelerating permit granting processes and by enhancing public participation; c) provides rules and guidance for the cross-border allocation of costs and risk-related incentives for projects of common interest; d) determines the conditions for eligibility of projects of common interest for Union financial assistance; e) addresses the identification of projects of mutual interest.	**Article 1 Subject matter** 1.This Regulation lays down guidelines for the timely development and interoperability of the priority corridors and areas of trans-European energy infrastructure set out in Annex I ('energy infrastructure priority corridors and areas') that contribute to the Union's 2030 climate and energy targets and the climate neutrality objective by 2050, **as *set in article 2(11) of Regulation (EU) on the Governance of the Energy Union and Climate Action, the climate neutrality objective by 2050 and to ensure and stimulate energy security, market integration, competition and affordable energy for all Member States.*** 2. In particular, this Regulation: (a) addresses the identification of projects of common interest necessary to implement priority corridors and areas falling under the energy infrastructure categories in electricity, smart gas grids, hydrogen, ~~electrolysers~~ and carbon dioxide set out in Annex II ('energy infrastructure categories');	The revision of the TEN-E (including infrastructure planning) should be consistent with the Green Deal objectives, 2050 climate neutrality and the objective 'leaving no one behind' implying affordable energy for all. The specific mention of electrolysers is debatable. The scope of the TEN-E Directive should not cover Electrolysers per se (e.g., all Power-to-gas technologies) but promote infrastructure for hydrogen.
	Article 2 Definitions In addition to the definitions in Directives 2009/73/EC, (EU) 2018/200146and (EU) 2019/944 of the European Parliament and of the Council and in Regulations (EC) No 715/2009, (EU)	**Article 2 Definitions** In addition to the definitions in Directives 2009/73/EC, (EU) 2018/2001 and (EU) 2019/944 of the European Parliament and of the Council and in Regulations (EC) No	<u>Missing definitions:</u> **Sustainability:** Considering the long lifetime, the potentiality for a project of becoming a stranded asset should

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	2019/942, and (EU) 2019/943, the following definitions shall apply for the purposes of this Regulation: 1. 'energy infrastructure' means any physical equipment or facility falling under the energy infrastructure categories which is located within the Union, linking the Union and one or more third countries; 2. 'comprehensive decision' means the final decision or set of decisions taken by a Member State authority or authorities, not including courts or tribunals, that determines whether or not a project promoter is authorised to build the energy infrastructure to realise a project of common interest by having the possibility to start, or procure and start, the necessary construction works ('ready-to-build status') without prejudice to any decision taken in the context of an administrative appeal procedure; 3. 'project' means one or several lines, pipelines, facilities, equipments or installations falling under the energy infrastructure categories; 4. 'project of common interest' means a project necessary to implement the energy infrastructure priority corridors and areas set out in Annex I and which is part of the Union list of projects of common interest referred to in Article 3; 5. 'project of mutual interest' means a project promoted by the Union in cooperation with third countries; 6. 'energy infrastructure bottleneck' means limitation of physical flows in an energy system due to insufficient transmission capacity, which includes inter alia the absence of infrastructure;	715/2009, (EU) 2019/942, and (EU) 2019/943, the following definitions shall apply for the purposes of this Regulation: […] **(16) 'sustainability' means the potential for any type of project to participate in the achievement of the climate neutrality objective. It is assessed in terms of the integration of renewable energy sources into the grid or the reduction of greenhouse gas emissions the project will emit over its expected lifespan;** **(17) "grid operator" means TSO and DSO;** 7. "project promoter" means one of the following: (a) a transmission system operator (TSO), distribution system operator **(DSO)** or other operator or investor developing a project of common interest; (b) where there are several TSOs, ~~**distribution system operators**~~ **DSOs**, other operators, investors, or any group thereof, the entity with legal personality under the applicable national law, which has been designated by contractual arrangement between them and which has the capacity to undertake legal obligations and assume financial liability on behalf of the parties to the contractual arrangement; 8. 'smart electricity grid' means an electricity network **that can integrate in a cost efficient manner the behaviour and actions of all users connected to it, ~~including generators, consumers and those that both generate and consume, in order to ensure an economically efficient and sustainable power system~~**	be carefully assessed as the system progresses towards carbon neutrality. **Grid operator**: To clarify that 'grid operators' imply equally DSO and TSO equally

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	7. 'project promoter' means one of the following: (a) a transmission system operator (TSO), distribution system operator or other operator or investor developing a project of common interest; (b) where there are several TSOs, distribution system operators, other operators, investors, or any group thereof, the entity with legal personality under the applicable national law, which has been designated by contractual arrangement between them and which has the capacity to undertake legal obligations and assume financial liability on behalf of the parties to the contractual arrangement. 8. 'smart electricity grid' means an electricity network where the grid operator can digitally monitor the actions of the users connected to it, and information and communication technologies (ICT) for communicating with related grid operators, generators, consumers and/or prosumers, with a view to transmitting electricity in a sustainable, cost-efficient and secure way;	~~**with low losses and high levels of quality, security of supply and safety; in a smart grid** the grid operator~~ can digitally monitor the actions of the users connected to it, and information and communication technologies (ICT) for communicating with related grid operators, generators, **demand side solutions, energy storage,** consumers and/or prosumers **and all available flexibility sources**, with a view to transmitting electricity in a sustainable, cost-efficient and secure way;	
CHAPTER II - PROJECTS OF COMMON INTEREST	**Article 4** **Criteria for projects of common interest** 2. Projects of mutual interest shall meet the following general criteria: a) the project contributes significantly to the decarbonisation objectives of the Union and those of the third country and to sustainability, including through the integration of renewable energy into the grid and the transmission of renewable generation to major consumption centres and storage sites, and;	**Article 4** **Criteria for projects of common interest** 2. Projects of mutual interest shall meet the following general criteria: a) the project contributes significantly to the decarbonisation objectives of the Union and those of the third country and to sustainability, including through the integration of renewable energy into the grid and the transmission **and mainly distribution** of renewable generation to major consumption centres and storage sites,	*The cross-border criteria should be simplified*: The current definition appears as a hindrance for specific types of projects such as smart electricity grids. The current cross border criteria are not future proof with the wider decentralisation and digitalisation going on, and the decarbonisation objective. We consider that it is important to add the distribution level to projects of mutual interest: It must be taken into consideration the contribution of third countries with the new

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			category "Project of Mutual Interest" to ensure the continuous eligibility of electricity cross border projects, all complying with European environmental and climate standards. DSOs can take on large scale smart grid projects crossing borders; hence no difference should be made when it comes to projects of mutual interest. Concerning projects located on the territory of one Member State and having a "**significant cross-border impact",** the criterion is still relevant but should be adapted to new situations. The mandatory support of the transmission system operators (TSOs) cannot define alone the significant cross-border impact of DSOs projects.

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CHAPTER IV: CROSS-SECTORAL INFRASTRUCTURE PLANNING	**Article 12 (NEW)** **Scenarios for the ten-Year Network Development Plans** 1. The guidelines shall include the energy efficiency first principle and ensure that the underlying ENTSO for Electricity and ENTSO for Gas scenarios are fully in line with the latest medium and long-term European Union decarbonisation targets and the latest available Commission scenarios. 2. The ENTSO for Electricity and ENTSO for Gas shall follow the Agency's framework guidelines when developing the joint scenarios to be used for the Union-wide ten-year network development plans.	**Article 12** **Scenarios for the ten-Year Network Development Plans** **1.** **The guidelines shall include the energy efficiency first principle and ensure that the underlying ENTSO for Electricity and ENTSO for Gas scenarios are fully in line with the latest medium decarbonisation target, and the long-term European Union objective of carbon-neutrality decarbonisation targets, and the latest available Commission scenarios and the level of maturity of all technologies.** **2.** The ENTSO for Electricity and ENTSO for Gas shall invite the organisations representing all relevant stakeholders, including the Union DSO entity all relevant ~~**hydrogen**~~ stakeholders **such as utilities and market players in the energy sector (electricity, gas, hydrogen, heat),** to participate in the scenarios development process.	With regards DSOs 'involvement, and since integration of systems is not limited to the TSO level, there is need for a greater role of DSOs in the TYNDP process. DSOs should be closely involved into the development of the TYNDP scenarios and in the selection of PCIs, starting from the scenario building exercise. DSOs have an overview on the sources connected to their grid (*EV, DER, heat pumps*) as well as technologies that will provide flexibility to the energy system (*batteries, networks digitalisation, Demand Side Response, Power-to-gas*.).
CHAPTER VI REGULATORY FRAMEWORK	**Article 16 (former Article 12)** **Enabling investments with cross-border impacts** 1. The efficiently incurred investment costs, which excludes maintenance costs, related to a project of common interest falling under the categories set out in points (1)(a), (b), (c) and (e) of Annex II and projects of common interest falling under the category set out in point (3) of Annex II, where they fall under the competency of national regulatory authorities, shall be borne by the relevant TSO or the project promoters of	**Article 16 (former Article 12)** **Enabling investments with cross-border impacts** 1. The efficiently incurred investment costs, which excludes maintenance costs, related to a project of common interest falling under the categories set out in points (1)(a), (b), (c), **(d)** and (e) of Annex II and projects of common interest falling under the category set out in point (3) of Annex II **and point 1(c) of Annex IV**, where they fall under the competency of national regulatory authorities, shall be borne by the relevant ~~**TSO**~~	Categories concerning smart grids have been removed for incentives. Incentive models vary greatly across the single energy market. In some member states, there are incentives with additional WACC for EU projects. In other member states, projects can receive regulatory depreciation on assets financed by grants.

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	the transmission infrastructure of the Member States which the project provides a net positive impact, and, to the extent not covered by congestion rents or other charges, be paid for by network users through tariffs for network access in that or those Member States. 2. The provisions of this Article shall apply to a project of common interest falling under the categories set out in points (1)(a), (b), (c) and (e) of Annex II where at least one project promoter requests the relevant national authorities their application for the costs of the project. They shall apply to a project of common interest falling under the category set out in point (3) of Annex II, as relevant, only where an assessment of market demand has already been carried out and indicated that the efficiently incurred investment costs cannot be expected to be covered by the tariffs. Projects falling under the category set out in points (1)(e) and (2) of Annex II may benefit from the provisions of this Article where at least one project promoter requests its application to the relevant national authorities. Where a project has several project promoters, the relevant national regulatory authorities shall without delay request all project promoters to submit the investment request jointly in accordance with paragraph 3. 4.(…) In deciding to allocate costs across borders, the relevant national regulatory authorities, in consultation with the TSOs concerned, shall seek a mutual agreement based on, but not limited to, the information specified in paragraph 3(a) and (b). Their assessment shall be based on the same scenario as the scenario used in the selection process for the elaboration of the Union list	**grid operator** or the project promoters of the transmission infrastructure **or distribution infrastructure** of the Member States which the project provides a net positive impact, and, to the extent not covered by congestion rents or other charges, be paid for by network users through tariffs for network access in that or those Member States. 2. The provisions of this Article shall apply to a project of common interest falling under the categories set out in points (1)(a), (b), (c), **(d)** and (e) of Annex II **and point 1 (c) of Annex IV** where at least one project promoter requests the relevant national authorities their application for the costs of the project. They shall apply to a project of common interest falling under the category set out in point (3) of Annex II, as relevant, only where an assessment of market demand has already been carried out and indicated that the efficiently incurred investment costs cannot be expected to be covered by the tariffs. 4.(…) In allocating costs across borders, the relevant national regulatory authorities, in consultation with the ~~**TSO**~~ **grid operator,** shall seek a mutual agreement based on, but not limited to, the information specified in paragraphs 3(a) and (b). Their assessment shall be based on the same scenario as used in theselection process for the elaboration of the Union list where the project of common interests is listed. Where a project of common interest mitigates negative	Currently there are only 5 candidate PCI smart grid projects for the 5th PCI list. Given the consensus the important role Smart Grids plays in our ongoing energy transition, this must be addressed. While there is myriad of other reasons that might have contributed to this problem, E.DSO continues to believe that the main reason behind the current lack of smart grid projects in the PCI list and CEF is due to the financial disincentive mentioned above. It would also be worthwhile to point out that the PCI process is a rather complicated one, involving many FTEs. Sadly, under the current regimes in place in many MS, the financial incentives are simply not in place for DSOs to make a sound business case for using the PCI mechanism and the CEF funding.

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	where the project of common interests is listed. If a project of common interest mitigates negative externalities, such as loop flows, and that project of common interest is implemented in the Member State at the origin of the negative externality, such mitigation shall not be regarded as a cross-border benefit and shall therefore not constitute a basis for allocating costs to the TSO of the Member States affected by those negative externalities.	externalities, such as loop flows, and that project of common interest is implemented in the Member State at the origin of the negative externality, such mitigation shall not be regarded as a cross-border benefit and shall therefore not constitute a basis for allocating costs to the ~~**TSO**~~ **grid operator,** of the Member States affected by those negative externalities.	
	Article 17 (former Article 13) **Incentives** 2.In their decision granting the incentives referred to in paragraph 1, national regulatory authority shall consider the results of the cost-benefit analysis on the basis of the methodology drawn pursuant to Article 11 and in particular the regional or Union-wide positive externalities generated the project. The national regulatory authorities shall further analyse the specific risks incurred by the project promoters, the risk mitigation measures taken and the justification of the risk profile in view the net positive impact provided by the project, when compared to a lower-risk alternative. Eligible risks shall in particular include risks related to new transmission technologies, both onshore and offshore, risks related to under-recovery of costs and development risks. 3. The decision shall take into account the specific nature of the risk incurred and may grant incentives covering, inter alia, the following measures: a) the rules for anticipatory investment; b) the rules for recognition of efficiently incurred costs before commissioning of the project; c) the rules for providing additional return on the capital invested for the project; d) any other measure deemed necessary and appropriate.	**Article 17 Incentives** **2.** In their decision granting the incentives referred to in paragraph 1, national regulatory authority shall consider the results of the cost-benefit analysis on the basis of the methodology drawn pursuant to Article 11 and in particular the regional or Union-wide positive externalities generated the project. The national regulatory authorities shall further analyse the specific risks incurred by the project promoters, the risk mitigation measures taken and the justification of the risk profile in view the net positive impact provided by the project, when compared to a lower-risk alternative. Eligible risks shall include risks related to new transmission **and distribution** technologies, both onshore and offshore, risks related to under-recovery of costs and development risks. Incentives 3. The decision **granting the incentives** shall take into account the specific nature of ~~**the**~~ **and** risk incurred **by the respective project** and ~~**may**~~ **shall** grant incentives covering, inter alia, **one or more of** the following measures: a) the rules for anticipatory investment **or** ;	Currently, regulated businesses (such as DSOs) have a negative business case when carrying PCI projects, since assets cannot be included into the regulated asset base (RAB) while still driving upwards operational expenses (OPEX). Furthermore, PCI projects remain problematic since DSOs are not incentivized to consider the complex PCI process, and there is not a significant interest to invest time and resources into a process that turns out to be financially unattractive. E.DSO members consider that the framework for regulatory incentives should reflect the evolving nature of needed investments and the costs. In this regard, investments in digitalization and OPEX areas should be equally incentivized as CAPEX. Regarding OPEX, all costs by the project should be recognised and reimbursable to provide more

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		b) the rules for recognition of efficiently incurred costs before commissioning of the project; **and** c) the rules for providing additional return on the capital invested **by the project promoter** for the project in a certain percentage on top of the regulated rate of profitability approved according to national legislation; **a) Smartness bonus for innovative, digital solutions** **b) The rules for recognition of costs (CAPEX and OPEX) which shall include:** **(1) future regulatory depreciation allowance for any CAPEX costs of major maintenance, repair or replacement of project related assets and** **(2) the non-delayed recognition, in full, of any operational cost of project-related assets and exemption of projects from efficiency targets and related deductions under national legislation.**	chance to achieve regulatory depreciation. The financial disincentives are one of the major reasons that up to now there are only six projects on the PCI list. If large-scale Smart Grid projects would widen their scope and across the border and contribute to the greater system, the incentivation process will be resolved. It is of utmost importance that in general the national regulatory framework provides enough stimulus for investment projects. It should be also pointed out that the framework for regulatory incentives should reflect the evolving nature of the necessary investments and the costs. It must be assured that: DSOs are not discouraged to use this provision and apply for PCI projects by raising OPEX linked to the projects funded by grants and punished with efficiency requirements for their PCI projects. DSOs can benefit from future regulatory depreciation allowance for any CAPEX related to

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			maintenance, repair, or replacement of project-related assets. Furthermore, financial incentives do not necessarily have to be connected to grants. Projects making it to the PCI list could benefit from a "smartness bonus". Since there already is a well-functioning PCI selection process on the EU level, the PCI status can thus be used to unlock other kinds of mechanisms or grants rather than just the CEF-budget, which is admittedly quite limited in relation to the huge investment need in grid infrastructure. To this end, a connection could also be made to e.g., the Horizon Europe program,
	ANNEX II **ENERGY INFRASTRUCTURE CATEGORIES** The energy infrastructure categories to be developed in order to implement the energy infrastructure priorities listed in Annex I are the following: (1) concerning electricity: (a) high-voltage overhead transmission lines, if they have been designed for a voltage of 220 kV or more, and underground and submarine transmission cables, if they have been designed for a voltage of 150 kV or more; (b) electricity storage facilities used for storing electricity on a permanent or temporary basis in above-ground or	**ANNEX II** **ENERGY INFRASTRUCTURE CATEGORIES** The energy infrastructure categories to be developed in order to implement the energy infrastructure priorities listed in Annex I are the following: (1) concerning electricity: (a) ~~**high-voltage overhead transmission lines, if they have been designed for a voltage of 220 kV or more, and underground and submarine transmission cables, if they have been designed for a voltage of 150 kV or more;**~~	DSOs projects can also be cross-border with physical connection between Member States, as proven by the ACON-project, which has been on the PCI list since 2017. Added distribution and lowered the voltage limit to 110 kV.

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	underground infrastructure or geological sites, provided they are directly connected to high-voltage transmission lines designed for a voltage of 110 kV or more;	***Addition:*** (f) **any equipment or installation, both at transmission and medium voltage distribution level, aiming at two-way digital communication, real-time or close to real-time, interactive and intelligent monitoring and management of electricity generation, transmission, distribution and consumption within an electricity network in view of developing a network efficiently integrating the behavior and actions of all users connected to it – generators, consumers and those that do both – in order to ensure an economically efficient, sustainable electricity system with low losses and high quality and security of supply and safety.**	
	ANNEX III **REGIONAL LISTS OF PROJECTS OF COMMON INTEREST** 1. With regard to energy infrastructure falling under the competency of national regulatory authorities, each Group shall be composed of representatives of the Member States, national regulatory authorities, TSOs, as well as the Commission, the Agency and the ENTSO for Electricity or the ENTSO for Gas, as relevant. For the other energy infrastructure categories, each Group shall be composed of the representatives of the Member States, project promoters concerned by each of the relevant priorities designated in Annex I and the Commission. 4.Each Group shall invite, as appropriate for the purpose of implementing the relevant priority designated in Annex I, promoters of a project potentially eligible for selection as a project of common interest as well as representatives of national administrations, of regulatory authorities, and TSOs	**ANNEX III** **REGIONAL LISTS OF PROJECTS OF COMMON INTEREST** 1. With regard to energy infrastructure falling under the competency of national regulatory authorities, each Group shall be composed of representatives of the Member States, national regulatory authorities, TSOs, **DSOs** as well as the Commission, the Agency, **the EU DSO Entity** and the ENTSO for Electricity or the ENTSO for Gas, as relevant. For the other energy infrastructure categories, each Group shall be composed of the representatives of the Member States, project promoters concerned by each of the relevant priorities designated in Annex I and the Commission. 4. Each Group shall invite, as **objectively** appropriate for the purpose of implementing the relevant priority designated in Annex I, promoters of a project potentially	Despite the increasing role of DSOs and the acknowledged low number of smart grid PCIs, DSOs continue to be absent in the process of drafting up the regional list of proposed PCIs, impeding that TSO and DSO assets are considered in a balanced way. A prerequisite for a balanced approach, which guarantees that chosen PCIs are benefitting the overall European energy system with a fair share of smart grid projects, is that DSO representatives (and the EU DSO Entity where relevant) are equally involved and represented in the Regional Groups, on equal footing with TSOs.

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	from third countries. The decision to invite third country-representatives shall be based on consensus.	eligible for selection as a project of common interest as well as representatives of national administrations, of regulatory authorities, and TSOs **or DSOs** from third countries. The decision to invite third country-representatives shall be based on consensus	
	ANNEX IV **RULES AND INDICATORS CONCERNING CRITERIA FOR PROJECTS OF COMMON INTEREST** 1. A project with significant cross-border impact is a project on the territory of a Member State, which fulfils the following conditions: (c)for smart electricity grids, the project is designed for equipment and installations at high-voltage and medium-voltage level. It involves transmission system operators, transmission and distribution system operators or distribution system operators from at least two Member States. Distribution system operators can be involved only with the support of the transmission system operators, of at least two Member States, that are closely associated to the project and ensure interoperability. A project covers at least 50000 users, generators, consumers or prosumers of electricity, in a consumption area of at least 300 Gigawatthours/year, of which at least 20% originate from variable renewable resources;	**ANNEX IV** **RULES AND INDICATORS CONCERNING CRITERIA FOR PROJECTS OF COMMON INTEREST** A project with significant cross-border impact is a project on the territory of a Member State, which fulfils the following conditions: **[…]** (c) for smart electricity grids, the project is designed for equipments and installations at high-voltage**, ~~and~~ mainly high** voltage **or medium-voltage** level **~~designed for a voltage of 10 kV or more.~~** It involves transmission **~~and~~ or** distribution system operators from at least two Member States, which cover at least 50 000 users 100 000 users that generate or consume electricity or do both in a consumption area of at least 300 Gigawatthours/year, of which at least 20 % originate from renewable resources that are variable in nature. **The project may also foresees a virtual cross border connection, without involving a physical common border**	Electricity smart grid projects Smart low-voltage grids that enable active customers, are the basis for a smart and cost-efficient electrification of heat and transport and support a better integration of Renewable Energy Sources (RES). Smart grid projects can therefore help foster the energy transition and cost-efficiently achieve the EU's climate and energy objectives. However, smart grid projects are currently underrepresented in the PCI list. This underrepresentation is caused by a restrictive definition of smart grids in the current TEN-E Regulation. This provision sets out strict selection criteria to be eligible as a PCI. Under current rules, smart grid projects must concern grids of at least 10 kV and involve DSOs and TSOs from at least two Member States. However, most RES

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			installations are connected to low-voltage grids at a local level, and do not include grid operators from several Member States. The definition of smart grids must be revised and the restrictive eligibility criteria enlarged to support the integration of RES. Smaller and decentralised infrastructure projects, including low-voltage smart grids, should be included. This broader definition would enable decentralised projects to apply for PCI status where they offer replicability across the EU or synergies for more than one member-state or introduce virtual cross-border connections (*e.g., as would be the case with DSO, market products, digital or DSF type project*) E.DSO considers important: • To remove the mandatory participation of TSOs when a DSO acts as a project promoter which has proven to be one of the main participation barriers for smart grids projects at distribution level (only 6 smart grid projects out of the 149 identified projects in the 4th PCI list). This constitutes a blocking

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			barrier. • Enlarging the eligibility to low- and medium-voltage networks. • Including, in addition to the renewable and low-carbon energy sources integration criterion, a further criterion such as a ratio to the penetration of EVs. The current ratio of a renewable share is difficult to meet for some Member States.