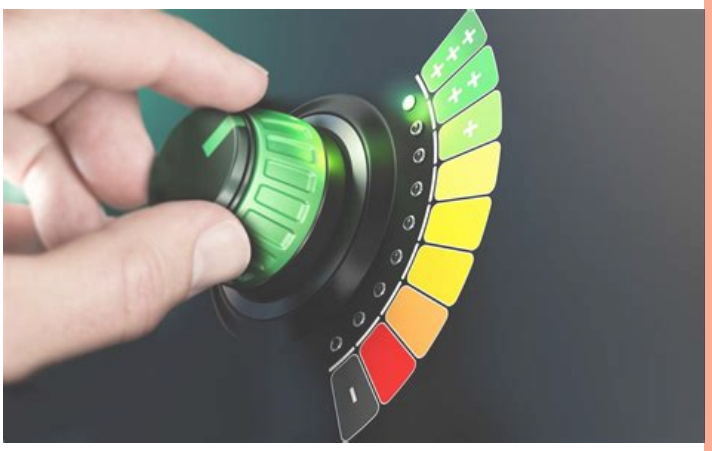
Fit for 55

Feedback response on:

- Energy efficiency Directive
- Renewable Energy Directive
- Regulation on Alternative Fuels Infrastructure
- Revision of the Emissions Trading Scheme

OCTOBER 2021

Energy Efficiency Directive



E.DSO welcomes the revision of the EU's approach to energy efficiency (EE) and the FF55 package as a tool to equip the EU's economy for climate neutrality. However, we acknowledge that the role of DSOs is not sufficiently recognized in the EED or the FF55 despite their central role in the energy transition. The proposal entails important consequences for DSOs as it changes the rules for EE of distribution grids and provides a basis for the wider deployment of EE services.

These services are predominantly connected to the distribution level making DSOs central to the debate on E.DSO welcomes the new binding EE objective of at least -9 % in 2030 compared to the projections of the 2020 Reference Scenario (-36% on final energy and -39% on primary energy vs 2007 Reference Scenario for 2030). The introduction of the Energy Efficiency First Principle (EEFP) in planning, policy and major investment decisions is also very positive as it would lead to a reduction of CO2 emissions. Nevertheless, it seems the Commission approach to network operators **does not rely on a holistic vision of EE and only emphasises network losses. E.DSO invites that a greater role is given to DSOs in the application of the EEFP and the deployment of EE solutions. This would be in line with the role of DSOs as 'neutral market facilitators' as recognised in the Electricity Market Regulation and their business model as naturally incentivised towards EE and system optimisation.** Furthermore, DSOs are already committed to limit network losses when establishing network development plans and purchasing equipment (Ecodesign).

Concerning Art 25, EE of DSO networks should be stimulated as part of an overall energy efficient system which goes beyond network losses. This approach would rely on energy system integration at local level and on smart grids as essential for higher EE. In this context DSOs would act as **System Integration Facilitators** contributing in multiple ways to EE including by facilitating EE in buildings and empowering customers to use smart meters to control energy consumption. For this reason, the focus should not be on network losses but on infrastructure investments which contribute to EE objectives by deploying cost-efficient solutions such as smart grids and services that integrate RES. The approach in Art 25 (2) to apply Cost Benefit Analyses, which account for wider system benefits, is more in line with this idea and would contribute to the adoption of such solutions.

Specific comments:

- Art 11 (2): DSO data can be used to facilitate energy audits. Energy consumption data can be used to evaluate ex-ante and ex-post the effectiveness of renovations.
- The role of smart meters for EE is reduced in the context of electricity to providing customer information (Art 21 (2)) in comparison to a more prominent role of smart metering for gas and heating (Art 12 and 13).
- The requirement to apply the EEFP in Art 25 (1) must not conflict the principle of cost-orientated tariffs in Art 18 (2) of Regulation 2019/943 and the Europe-wide trend towards kW-based (instead of kWh) tariffs in line with the idea that infrastructure costs are determined by grid load notwithstanding transported volume. In this regard, lower connection charges for cogeneration, as proposed in Art 25 (9), do not respect the principle of cost-reflection.
- The second sentence of Art 25 (2) should clarify the possibility to maintain infrastructure that is not at the end of its life cycle in so far it supports efficient use of energy.
- E.DSO suggests a review of the requirement in Art 27 (8) for MS to prevent, amongst others, DSOs from hindering the demand and delivery of EE services. This goes against the Electricity Market Regulation which recognises DSOs as neutral market facilitators which aim to facilitate such services.
- Art 28: all measures, which aim to enhance efficient use of energy grids and system integration at grid level, should be explicitly recognised as contributing to EE.

Renewable Energy Directive

E.DSO welcomes the revision of the EU's approach to renewable energy (RE) and the FF55 package as a tool to equip the EU's economy for climate neutrality. The proposal entails important consequences for **DSOs which will have a central role in an integrated energy system with the customer at its centre.** These consequences concern the integration of RES and the building and management of an integrated and decentralised energy system.

E.DSO supports the raise of the 2030 RE target to 40% and the indicative target for penetration of RE in the final energy consumption of the building sector. This approach highlights the importance of electrification for the EU's climate goals. We appreciate the recognition of electricity DSOs and their importance for the integration of renewable sources. Nevertheless, **without a proper regulatory framework enabling investment by DSOs, an efficient decarbonization will not be feasible.** While this position should be integral to the whole FF55 Package, the recast of the RED is especially well suited to include an obligation for MS or NRAs to (1) encourage investment facilitating RES integration and (2) to facilitate permitting procedures for new electricity lines while supporting the security and stability of the network. The disclosure of data under Art 1 (10) (1) should happen by means of existing infrastructure (e.g. smart meters) and not from new dedicated devices.

Clarifications should be made on the process, the content of data sharing between DSOs and TSOs and the tools to make this data available. They must be kept to what is necessary for the purposes of interoperability and network operators must keep control of their data. This must be coherent with the corresponding Implementing Act under Art 24 of Directive 2019/944.

Art 1 (10) (2) on bidirectional charging and transparency of storage is welcome as an important step towards unlocking flexibility. A next step should be to oblige service providers to offer smart charging and not to only prescribe charging installations to be ready for adaptation to smart charging. Similarly, Art 1 (10) (4) on non-discrimination contributes to unlocking flexibility and opens a real possibility to apply V2G. However, this is only feasible in a fully digitalised energy system: for this, smart meters, when deployed by MS, are an efficient tool.

Art 1 (10) (3)'s requirement for non-publicly accessible power recharging points to support smart charging functionalities might imply extra costs for domestic consumers and prevent them from installing EV chargers. This provision should be mandatory for recharging points with more than 22 KW only. Smart charging for non-publicly accessible normal recharging points should be therefore encouraged on a voluntary basis as an opportunity for consumers to engage in flexibility services.

Specific comments:

- It is crucial to provide information about smart charging to national and local planning processes. It must be known as early and as exactly as possible where charging installations will be located.
- Smart meters should be included in the definition of smart and bidirectional charging – a point of feedback relevant also for AFIR.
- It should be clarified that heating and cooling flexibilities should be at the service of the network and should not represent a constraint for DSOs.
- The provision of Art 1 (2) (c) on permitting procedures should be monitored within the reporting obligations in Art 1 (5) (d) so that the connection of new RES is not detrimental to the security and stability of the network.
- Art 1 (4) (a) should accommodate DSO cross-border joint projects. The same approach should be reflected in the revision of the TEN-E.
- Regarding the Impact Assessment, Part 1/2, 6.1.17, DSOs, while being neutral market facilitators, are also allowed to own, develop, manage or operate recharging points for electric vehicles subject to certain conditions and MS decision (Art 33(3) of Directive 2019/944/EU).

Regulation on Alternative Fuels Infrastructure

E.DSO welcomes the revision of the EU's approach to Alternative Fuels Infrastructure and the FF55 package as a tool to equip the EU's economy for climate neutrality. **DSOs will be key actors for the achievement of the objectives of the regulation (AFIR) as the charging infrastructure for electric vehicles (EVs) as well as for other modes of transport will be connected to their distribution grids.**

E.DSO supports the introduction of mandatory MS targets for the deployment of EV charging infrastructure. We also support the introduction of targets for electric recharging infrastructure dedicated to light-duty and heavy-duty vehicles which will be connected at distribution level. We appreciate the methodology used to set those targets as well.

E.DSO welcomes the role that the proposal attributes to electricity DSOs in the management of grid stability and flexibility, in the deployment of grid extensions and in reporting on bidirectional charging as an instrument for RES integration. In this regard, it should be considered that DSOs are allowed to own, develop, manage or operate recharging points for EVs subject to certain conditions and MS decision (Art 33 (3) of Directive 2019/944/EU).

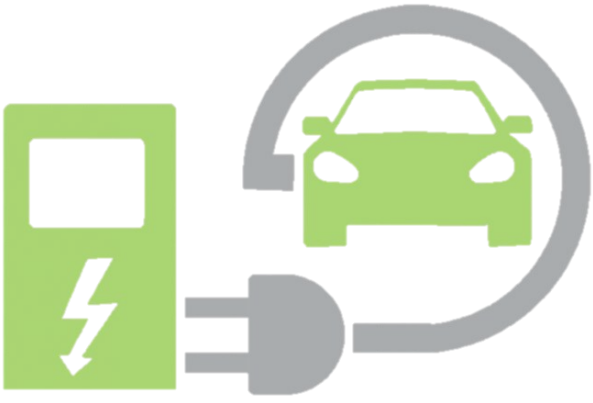
Specific comments:

- The role of smart meters should be acknowledged in Art 2 and should be included in every definition of smart charging, bidirectional charging, and digitally connected recharging points as well as in technical specifications. This is important because in Recital 19 smart meters are mentioned in combination with smart charging thereby indicating that the Commission considers them as being different.
- In Art 19 (6) and Annex II (2) DSOs must be associated to the definition of technical specifications on communication with the grid. Additionally, their right to access data from charging infrastructure should be confirmed.

Image Credit

- Art 14 (3) confers large powers to NRAs in assessing the contribution of EVs to the flexibility of the energy system. This should be done coherently with the Clean Energy Package which already set a requirement for DSOs to conduct a periodical evaluation of flexibility needs in their own network development plans while consulting all interested parties. The control over flexibility evaluation should remain with DSOs without prejudice to the obligation for DSOs and TSOs to provide input to NRAs on the potential contribution of bidirectional charging to the penetration of renewable energy in the system (Art. 14(4)).
- The proposal should pay greater attention on cybersecurity and power quality in the context of e-mobility. The proposal should explicitly prescribe open-source standards/protocols. An ambitious timeline is needed also for the adoption of standards and protocols such as for e-roaming and V2G with a clear demarcation of the role of network operators.

While the proposal acknowledges the role of DSOs in the electrification of mobility and increases their responsibility, it does not account sufficiently for the need to reinforce their distribution grid to achieve the regulation's objectives. This is despite the proposal's Impact Assessment which states that "[DSOs] will have to invest into grid stability and flexibility and – where necessary - into grid extensions" (p. 108, part 1/2). This approach, to emphasize need for investment in grid connectivity and not in capacity, is upheld also in the Strategic rollout plan for the deployment of alternative fuels infrastructure. E.DSO invites the Commission to change its view on this matter as the study "Connecting the Dots" carried out by E.DSO and Deloitte suggests that in Europe DSOs only will need 375-425 bln EUR of investment in 2020-2030 in order to research, innovate and deploy new technologies to guarantee the safest and most reliable network for all customers.



Revision of the Emissions Trading Scheme

E.DSO welcomes the revision of the EU's approach to the Emissions Trading Scheme and the FF55 package as a tool to equip the EU's economy for climate neutrality. However, we acknowledge also that the role of DSOs is not sufficiently recognized in the ETS revision or the FF55 despite their central role to the energy transition.

E.DSO welcomes the amendment of Art 10d and the introduction of a requirement in paragraph (2) for 80% of the Modernisation Fund to be invested into, amongst others, the modernization of energy networks. However, we believe that the definition of energy networks should be expanded to include not only district heating networks, interconnections between MS and grids for electricity transmission, but **also grids for electricity distribution**.

The reason for this is that electricity DSOs are at the forefront of the energy transition with 70 % of renewable sources as well as the majority of flexibility services connected to their networks. This requires a reinforcement of the capacity of distribution grids in a manner which would equip them to meet the climate-neutral objectives in the context of an integrated energy system. This approach would be consistent with the other legislative proposals of the FF55 package which rely heavily on distribution grids. Those include the Regulation on Alternative Fuels Infrastructure, where DSO networks will play a crucial role in the deployment of an EV charging infrastructure, and the Renewable Energy Directive, where DSOs are recognized as crucial for the integration of renewables and the energy system as a whole. Finally, the study, "Connecting the Dots" carried out by E.DSO and Deloitte suggests that in Europe DSOs only will need 375-425 bln EUR of investment in 2020-2030 in order to research, innovate and deploy new technologies to guarantee the safest and most reliable network for all customers.

E.DSO

E.DSO is a European association gathering leading electricity distribution system operators (DSOs) shaping smart grids for your future.

www.edsoforsmartgrids.eu