

E.DSO reaction to ITRE proposed amendments to Energy Efficiency Directive

Two years after the launch of the **European Green Deal**, the European Commission has taken substantial steps in its effort to promote the green transition. Thereafter, a series of policy measures detailing the Green Deal ambitions followed.

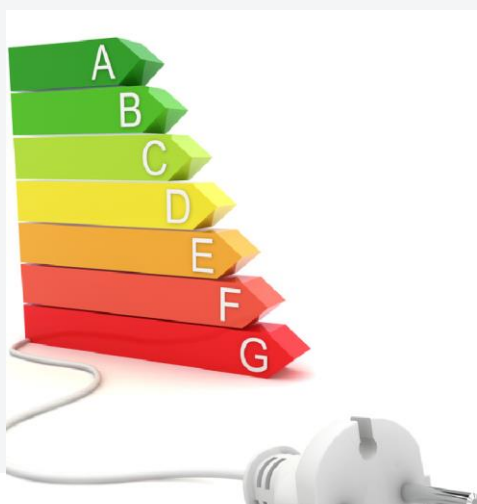
The **Fit for 55 (FF55) package** is the most vital example of this undertaking entailing the roll out of several legislative proposals crucial to attain the 2030 and 2050 EU climate goals.

The year 2022 also marks an important moment for the EU and green economy. It will not only signal the halfway of the current European Commission and European Parliament terms, but it will also testify the unified Europe and its resilience in hard times.

This paper presents the main provisions of the EU Commission's recast provisions, followed by a broader analysis of the main amendments introduced by **European Parliament's Committee on Industry, Research and Energy (ITRE)**.

Despite the relevant attention given to the topic so far, the level of investments linked to improvements in energy efficiency, renewable resources, and infrastructure, does not reflect the relevant importance from the perspective of Distribution System Operators (DSOs). The objective is to suggest pathways that could be explored to the FF55 impact.

Further, we also consider these developments in light with the **REPowerEU communication** (*expected end May*), which spells out short term actions to substantially decrease Europe's dependency on (Russian) gas.





Energy Efficiency Directive (Recast)

The Rapporteur, Niels Fuglsang (S&D - Denmark) presented his report on the proposal for a recast of the Energy Efficiency Directive to the Industry, Research and Energy (ITRE) Committee of the European Parliament on Thursday the 3 March 2022. The EED recast proposal was released by the European Commission in July 2021 as part of the first package of proposals of Fit for 55. On 20 April 2022 the ITRE Committee debated on the submitted amendments.

E.DSO considers the **Energy Efficiency Directive** to be vital since it set down rules designed to implement the "energy efficiency first" principle across all sectors, by removing barriers in the energy market and to overcome market failures that impede efficiency in the supply and use of energy. The Directive also advocates for the establishment of indicative national energy efficiency targets between 2020 and 2030.

Energy efficiency is a significant way to save resources, reduce energy bills and decrease greenhouse gas emissions (GHG). In the new context – following Russian invasion of Ukraine – energy efficiency has gained momentum in terms of energy security.

E.DSO overall considerations

During the ITRE Committee meeting, **MEP Niels Fuglsang**, welcomed the proposal by the Commission but asserted that it was necessary to raise ambitions to ensure that energy demand goes down effectively in the coming years. Some of the key issues he wants to amend within the proposal are:

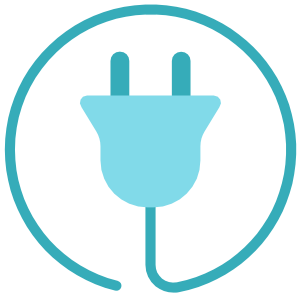
- Raise the energy efficiency target for final energy consumption to 43% to be achieved by 2030 (in comparison to the 36% target proposed by the Commission);
- Introduction of milestones in 2025 and 2027 as intermediate targets towards 2030;
- Strengthen the "energy efficiency first" principle by ensuring that Member States report on the systemic application of the principle within their national energy and climate progress reports to the Commission.

E.DSO welcomes favorably these developments since they show the commitment to continue the success energy efficiency beyond 2030 and remove loopholes is what the revision of the EED must achieve.

Despite the above amendments, E.DSO identifies several key challenges ahead, namely:

- The need to stimulate more investments in energy efficiency for energy system operators.
- Seek greater demand for energy efficiency solutions.
- Engage all parts of the value chain by creating and promoting energy efficiency partnerships with all energy actors for energy reduction towards 2050.
- Deploy energy flexibility solutions (microgrid, smart energy tariffs, etc.).

E.DSO considers that the Energy Efficiency Directive offers the best possible way to reduce energy dependency on Russia, through minimising energy losses.



E.DSO assessment of ITRE amendments to Energy Efficiency Directive

Provisions	Proposed ITRE Amendments	E.DSO Comments
<p>Article 8 "Energy savings obligation" – paragraph 8 – point c: count towards the amount of required energy savings in point (a) and (b) of the first subparagraph of paragraph 1, energy savings achieved in the energy transformation, distribution and transmission sectors, including efficient district heating and cooling infrastructure, as a result of implementing the requirements set out in in Article 23(4), point (a) of Article 24(4), and Article 25(1), (5) to (9) and (11). (AM 657)</p>	<p>point (c): count towards the amount of required energy savings in point (a) and (b) and (c) of the first subparagraph of paragraph 1, energy savings and avoided network losses achieved in the energy...</p> <p>By 2024, the Commission shall adopt an implementing act laying down the methodology for the calculation and verification of avoided network losses</p>	<p>System operators, namely DSOs, must be consulted in the preparation and in the development phases of the Implementing act.</p>
<p>Article 12 "Metering for natural gas" – paragraph 2 – introductory part: Where, and to the extent that, Member States implement intelligent metering systems and roll out smart meters for natural gas in accordance with Directive 2009/73/EC (AM 767)</p>	<p>.... systems and roll out smart meters for natural gas and/or electricity in accordance with Directive 2009/73/EC:</p>	<p>We suggest removing the comment "and/or electricity" because this paragraph in article 12 is addressed to natural gas.</p>
<p>Article 23 Heating and Cooling assessment and planning – paragraph 6 – point d a (new) (AM 658)</p>	<p>(d a) consider energy affordability, security of supply, power system adequacy and resiliency.</p>	<p>d a) comment: If the power system adequacy resilience is going to be and addressed, the System Operators (DSO) shall be consulted.</p>

Provisions	Proposed ITRE Amendments	E.DSO Comments
<p>Article 25 Energy transformation, transmission and distribution – paragraph 2. Member States shall ensure that gas and electricity transmission and distribution system operators apply the energy efficiency first principle in accordance with Article 3 of this Directive in their network planning, network development and investment decisions. While taking security of supply and market integration into account, Member States shall ensure that transmission system operators and distribution system operators do not invest in stranded assets to contribute to climate change mitigation. National regulatory authorities shall provide methodologies and guidance on how to assess alternatives in the costbenefit analysis, taking into account wider benefits, and verify the implementation of the energy efficiency first principle by the transmission system operators or distribution system operators when approving, verifying or monitoring the projects submitted by the transmission system operators or distribution system operators. (AM 974 and 975)</p>	<p>(...) Article 3 of this Directive and with the EU’s climate targets and sustainability in their network planning, network development and investment decisions. Demand-side flexibility shall be a central part of the assessment of network planning and operation. While...mitigation. To promote an energy efficient electricity grid, entities such as the European Network Transmission System Operators (ENTSO-E) and the European Entity for Distribution System Operators (the EUDSO Entity) can provide useful contributions and shall support their members in the uptake of energy efficiency measures. National regulatory authorities may provide methodologies and guidance on how to assess alternatives in the cost-benefit analysis in close cooperation with the TSOs, which can share key technical expertise, taking into account wider benefits, and verify the...</p> <p>Demand side flexibility, as well as flexible high efficiency cogeneration, shall also be taken into account.</p>	<p>Include DSOs in the following sentence to be as following: “in close cooperation with the TSOs and DSOs, which can share key technical expertise”.</p> <p>Regarding the comment “<i>... as flexible high efficiency cogeneration, shall also be also considered</i>” cogeneration should be removed in order to be technology neutral.</p> <p>We are aware that various technologies for electricity production from renewable energies (i.e. wind, solar energy, biomass, hydropower, geothermal energy etc.) differ substantially from one another. They operate with different degrees of flexibility, can have different types of participatory structure and are in a different state of technological development and market readiness.</p>
<p>Article 25 Energy transformation, transmission and distribution – paragraph 3: Member States shall ensure that transmission and distribution system operators map network losses and take cost-effective measures to reduce network losses. Transmission and distribution system</p>	<p>Member States shall ensure that transmission and distribution system operators monitor and quantify the overall volume of network losses in the network they operate and take cost-effective measures to optimise those network losses considering the overall effective operation of the network and the evolution towards a renewable-based energy system. (...) Transmission or</p>	<p>We suggest including in the sentence “<i>evolution towards a renewable-based energy system</i>” which might challenge network losses. Member States shall incentivise transmission and distribution system operators to develop innovative solutions to improve the efficiency and sustainability, including energy efficiency, of</p>

Provisions	Proposed ITRE Amendments	E.DSO Comments
<p>operators shall report those measures and expected energy savings through the reduction of network losses to the national energy regulatory authority. National energy regulatory authorities shall limit the possibility for transmission and distribution system operators to recover avoidable network losses from tariffs paid by consumers. Member States shall ensure that transmission and distribution system operators assess energy efficiency improvement measures with regard to their existing gas or electricity transmission or distribution systems and improve energy efficiency in infrastructure design and operation. Member States shall encourage transmission and distribution system operators to develop innovative solutions to improve the energy efficiency of existing systems through incentive-based regulations. (AM 981)</p>	<p>distribution systems and improve energy efficiency in infrastructure design and operation, especially in terms of smart grid deployment. Member States shall encourage transmission and distribution system operators to develop innovative solutions to improve the efficiency and sustainability, including energy efficiency, of existing and future systems (...)</p>	<p>existing and future systems (...)"</p>
<p>Article 25 Energy transformation, transmission and distribution – paragraph 3: Member States shall ensure that transmission and distribution system operators map network losses and take cost-effective measures to reduce network losses. Transmission and distribution system operators shall report those measures and expected energy savings through the reduction of network losses to the national energy regulatory authority. National energy regulatory authorities</p>	<p>Member States shall ensure that transmission and distribution system operators map network losses and renewable electricity curtailments and take cost-effective measures to reduce network losses and renewable electricity curtailments, while taking into account the overall effective operation of the network and the infrastructure development needs. Transmission...network losses and renewable electricity curtailments to the national energy regulatory authority. National energy regulatory authorities shall limit the possibility for transmission and distribution system operators to recover avoidable network losses and renewable electricity</p>	<p>We suggest including in the sentence the words in blue: "(...)Member States shall incentivise transmission and distribution system operators to develop" and invest in "and innovative solutions to improve the energy efficiency"</p> <p>The following sentence needs in our opinion further clarifications: "National energy regulatory authorities shall limit the possibility for transmission and distribution system operators to recover avoidable network losses and renewable electricity curtailments (...)" National energy regulatory</p>

Provisions	Proposed ITRE Amendments	E.DSO Comments
<p>shall limit the possibility for transmission and distribution system operators to recover avoidable network losses from tariffs paid by consumers. Member States shall ensure that transmission and distribution system operators assess energy efficiency improvement measures with regard to their existing gas or electricity transmission or distribution systems and improve energy efficiency in infrastructure design and operation. Member States shall encourage transmission and distribution system operators to develop innovative solutions to improve the energy efficiency of existing systems through incentive-based regulations. (AM 982)</p>	<p>curtailments (...)</p>	<p>authorities shall set the rules for transmission..."</p>
<p>Article 25 – paragraph 4 National energy regulatory authorities shall include a specific section on the progress achieved in energy network losses in the operation of the gas and electricity infrastructure, the measures carried out by transmission and distribution system operators, and, where applicable, provide recommendations for energy efficiency improvements. (AM 989)</p>	<p>(...) National regulatory authorities should also provide guidelines for energy efficiency improvements through cost-efficient alternatives that reduce peak loads and overall electricity use. Provided that any disruptive effects on the transmission and distribution system are kept to ...the minimum necessary without hampering the principle of cost reflectiveness of network tariffs and are not disproportionate to the social aim</p>	<p>We suggest introducing in the following provision the blue words: "National regulatory authorities should also provide guidelines and promote the deployment of digital smart grids for energy efficiency improvements through cost-efficient alternatives that reduce peak loads and overall electricity use"</p>
<p>Article 25 Energy transformation, transmission and distribution – paragraph 9: Where appropriate, national regulatory authorities may require transmission system operators and <u>distribution system operators to encourage high-efficiency cogeneration to be sited close to areas of heat</u></p>	<p>...use-of-system charges or to encourage decentralised renewable energy production at end users to avoid network losses. By 2024, the Commission shall adopt an implementing act laying down the methodology for the calculation and verification of avoided network losses.</p>	<p>DSOs should not discriminate between technologies (eg: cogeneration) and this regulatory incentive should not rely on Electricity System Operators. DSOs must be consulted in the development of the Implementing act.</p>

Provisions	Proposed ITRE Amendments	E.DSO Comments
<u>demand by reducing the connection and use-of-system charges (AM 995)</u>		

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

www.edsoforsmartgrids.eu