



## E.DSO Strategic Statement

### European energy security needs grid investments

E.DSO represents the largest and leading electric electricity distribution system operators delivering the everyday power to EU's households in their business capacity. We are first and foremost industrialists and entrepreneurs facing the evolutions and the revolutions of the energy market and of the elements affecting its dynamics, as largely shown in the past months. We would like to draw your attention towards the essential role we play in supplying energy to the European citizens and our crucial commitment in ensuring the security of their supply.

After the European Union revealed the **REPowerEU Plan** to transform Europe's energy system due to the current geopolitical crisis, E.DSO emphasised<sup>1</sup> and recognised<sup>2</sup> how extremely ambitious, but also necessary, the REPowerEU is.

E.DSO is aware of the challenges to put in place the RePowerEU Plan and conscious that the Russian invasion of Ukraine weighs heavily on Europe's economic recovery. The current situation painfully exposes the EU's dependence on Russian fossil fuels and equally exacerbates inflation pressures due to increasing energy prices and supply chain disruptions.

The **REPowerEU** Plan officially introduced in May 2022 targets a double urgency, seeking to reduce the EU's dependency on Russian fossil fuels (i) and accelerating the transition away from carbon-intensive energy sources (ii). It certainly sets more ambitious energy targets than those presented in the post-Covid Recovery and Resilience Facility (RRF) and 2021 **Fit for 55 Package**, which grew out of the **European Green New Deal**. The new ambition is accompanied with the necessary investments needed, estimated at **€210 billion between 2022 and 2027, €29 billion of which shall go for the power grid**.

E.DSO welcomes the above efforts and proposals. However, there are also some black spots which risk undermining the EU green transition. The issues around grid investment will need to be addressed if we are to seize the full advantage of the type of efficient, smooth approach the EU intends to mandate.

Distribution System Operators (DSOs) are key enablers of the energy transition. As the backbone of the digital and green transition, European distribution grids connect **the majority of renewables (70%)**, enabling the creation of new services for active consumers and ensuring a reliable electricity flow.

DSOs have already evolved by adopting an innovative and open-minded approach to managing their networks, while making the grid more reliable. Hence, the immediate need for scale-up investments in the European electricity grid is necessary for them to be fit for purpose. One shall bear in mind that

<sup>1</sup> <https://www.edsoforsmartgrids.eu/repowereu-eu-wants-to-break-freefrom-fossil-gas-dependency/>

<sup>2</sup> <https://www.edsoforsmartgrids.eu/e-dso-policy-brief-on-repowereu/>



the true value of the grid investments relies on the DSOs' commitment to serve and empower the end customers, creating new opportunities for all members of the society. In this respect, investments will support the DSOs to fulfil their missions, but will have a broader socio-economic benefit for society.

Unquestionably, the upcoming years will be crucial for the electricity grids since the RePowerEU Plan intends to add **750 GW of wind and solar PV generation by 2030**, we must ensure that the measures required to phase out fossil fuel shall not jeopardise DSO operations, security of supply or the connection of even more renewables. Hence, we trust, and tend to be certain, that the measures required to phase out fossil fuel will not be designed to imperil the fundamental seamless continuation of DSO operations, security of supply or the connection of even more renewables.

Under the current REPowerEU Plan, the investment component is not smoke and mirrors. Additional investment needs must be met according to the requirements of the capital market. Grids are very important in this equation: DSOs have the primary duty to keep the lights on. Obviously, *45% renewable energy target* amplifies this importance. The grids that move electricity, need to be reinforced, to be prepared for additional demand that was not clearly foreseen at the time in which they were designed, and they need to be digitalised.

E.DSO argue that investment in and the modernisation of the electricity distribution grid is one the biggest challenges the EU shall overcome in the years to come. It is not less than **€400bn investment challenge to be achieved by 2030<sup>3</sup>**, entailing an increase of up to 70% compared to today as forecasted by a study mandated by E.DSO and Eurelectric, and conducted by Molitor Deloitte using data prior to Fit-for-55 and RePowerEU.

Connecting the Dots Study's estimation related to the overall investments needed in distribution grids to power the energy transition. We are conscious that this assessment was performed way ahead the launch of the **REpowerEU where the €29bn power grid investments are currently planned by 2027**.

We therefore believe that given the large investment gap to deliver emissions reduction, and the urgency to shrink the EU's fossil fuel dependence faster, the grid investments shall become imperative in line with the new timeline set by the REpowerEU.

E.DSO members are of the view that the development of a wide range of innovative solutions that can bring flexibility to the grid are needed: smart-everything, digitalisation, automation, EVs, market design, and much more. We equally believe in the need to enable the adequate DSOs access to EU funds complemented with the right regulatory incentives. Furthermore, the cost of DSOs investments should eventually be reflected in customer bills, softening the price increase to prevent energy poverty where required.

However, the current model of grid investment, based on a short-term planning outlook and focused on short term cost savings, is counterproductive in a decarbonization scenario. E.DSO believes that

<sup>3</sup><https://www.edsoforsmartgrids.eu/connecting-the-dots-distribution-grid-investment-to-power-the-energy-transition-2/>



proactive investments with a long-term planning outlook in mind will eventually be more cost efficient.

E.DSO argues that the policy makers and regulators must concentrate on enabling investment in smart and decentralised energy solutions capable of achieving structural change long before 2027.

We believe that to cope with the need to strengthen electric grids, Member States should also invest in the supply of key clean technologies and in the skills required for their rapid installation and maintenance.

Finally, it must be borne in mind that compliance with EU competition law and State aid rules will be the cornerstone of the implementation of the REPowerEU Plan. In this respect, the Commission commits to explore ways to facilitate State aid control for REPowerEU measures while limiting distortions to competition. However, the Commission also indicates that it will be the responsibility of each Member State to ensure that any measure complies with the EU State aid rules and follows the applicable State aid procedures.

In this respect, there are new regulatory provisions for DSOs to finance investments to support the system integration of RES (*new networks, reinforcements, upgrades etc*). On the other hand, there are EU provisions for state aid to support renewable power, but only available to producers. We support the vision that EU legislation should reallocate those state aids and allow state aid also for DSO's investments to support them.