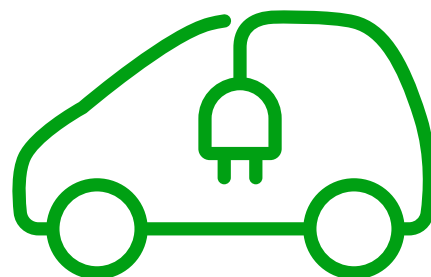
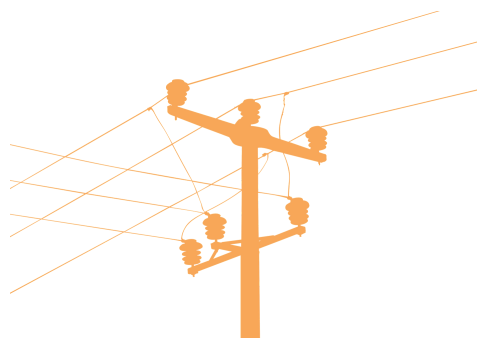
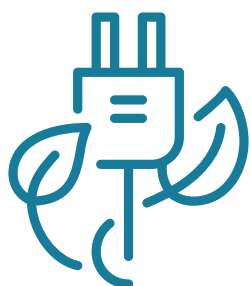


DECEMBER 2021

ENERGY EFFICIENCY DIRECTIVE

RENEWABLE ENERGY DIRECTIVE

ALTERNATIVE FUELS INFRASTRUCTURE



ENERGY EFFICIENCY DIRECTIVE

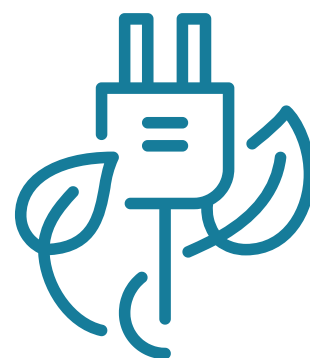
E.DSO | FIT FOR 55 | POSITION PAPER

DECEMBER 2021

As part of the 'Fit for 55' package, the Energy Efficiency Directive is an important element to reduce green gas emissions (GHG) by at least 55% by 2030 and achieve a climate-neutral Europe by 2050. The proposed measures aim at further promoting energy efficiency in all areas of the energy system and in all relevant sectors, such as transport, water, and agriculture.

E.DSO supports the introduction of the 'Energy Efficiency First' principle (EEFP) as a mandatory requirement in legislative, planning decisions and investments. Nevertheless, we insist that the EEFP shall be applied as an overarching principle in conjunction with other policy objectives and overall EU's climate targets.

E.DSO equally acknowledges that the contribution of the distribution activity is not sufficiently recognized in its content, despite central role of DSOs in the energy transition. The proposal entails important consequences for DSOs as it changes the rules for energy efficiency of distribution grids and provides a basis for the wider deployment of energy efficiency services, which will be principally connected to distribution level.



Reality Check

E.DSO considers that EEFPP must be a key enabler of decarbonisation, and the potential for efficiency gains across the entire energy system must be exploited if they contribute to reducing GHG emissions reductions. In our viewpoint, the EED is the occasion to reinforce the level of ambition needed to close the gap in the final National Energy and Climate Plans (NECPs) and to deliver on more ambitious EU climate goals.

We consider that most sustainable energy is the one which is not consumed. Energy efficiency demonstrates multiple benefits far beyond energy aspects and is necessary for a cost-efficient energy transition. To ensure that the EEFPP is applied consistently, concrete guidelines are needed to make it a core element at all levels of policymaking (see below).

More importantly, and in line with our position paper on the [EU Strategy for Energy System Integration](#), which aims to link various energy carriers with each other and with the end-use sectors, we believe that it is important to:



Apply the EEFPP across the whole energy system, by giving priority to demand-side flexibility whenever that is more cost effective than investments in the expansion of the grid.



Accelerate the creation of markets for energy demand flexibility.



Speed up the digitalisation of the energy system.



Increase renewable energy deployment in the heating and cooling, transport, and industry sectors.

Our Concerns

We consider that the Commission approach to network operators **does not entail on a holistic vision of energy efficiency** and only emphasises network losses as enshrined in **Article 25 (3)** of the proposal. DSOs are already committed to limit network losses when establishing network development plans and must fulfil eco-design requirements when purchasing equipment.

It is reasonable for EU Member States to ensure that electricity distribution network operators apply the EEFP principle in their activities. Further, investment in infrastructure should be guided, additionally to EEFP, by a lifecycle approach safeguarding the sustainability objectives: climate protection, security of supply and competitive pricing.

For these reasons, the practical implementation of the EEFP requires the deployment of a correct governance, including an efficient cost-benefit analysis methodology and a framework of independent monitoring and assessment. The approach in **Article 25 (2)** to apply cost-benefit analyses, which account for wider system benefits, is in line with this approach.

Moreover, electrification and the wide development of RES generation imply a reinforcement of electricity networks which will in general increase network losses. This is true even when evaluated relative to the energy transported because of the ability of smart grids to maximize their capacity factor and deliver more kWh on the same existing cables. In principle, an increase is not necessarily a negative development: it really shows that the assets are used with a higher intensity.

We argue that the energy efficiency 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 energy efficiency.

In this context DSOs can contribute in multiple ways including by facilitating energy efficiency in buildings and empowering customers to use smart meters to control energy consumption. For this reason, the focus should not be exclusively on network losses but on system efficiency achieved through infrastructure investments which contribute to energy efficiency objectives by deploying cost-efficient solutions such as smart grids and services that integrate renewable sources.

Our Recommendations

Smart Meters

We argue that smart meters should be reintegrated in the scope of the Directive and notably in **Articles 12 and 13**. Smart meters greatly contribute to customer empowerment and energy efficiency solutions. They allow energy management for customers and provide reliable data for ex-ante and ex-post energy audits on the effectiveness of renovation.



DSO infrastructure

The second sentence of **Article 25 (2)** should clear up the possibility to maintain infrastructure that is not at the end of its life cycle in so far it supports efficient use of energy, since its replacement could result in inefficient costs for the system. In addition to technical losses due to ageing infrastructure, there is also renewable energy that cannot be accommodated by the networks and is therefore lost. The use of digital technologies in the energy system, including smart grids and smart appliances, can help to optimise the use of this intermittent renewable energy and has great potential for improving energy efficiency and smart energy use.



Network losses

Article 25 (3) should not limit the recovering of network losses through tariffs but should instead introduce tariffs incentives to reduce network losses. Rather than limit DSO resources, **Article 25(3)** should introduce an obligation for Member States to develop investment programmes for the increase of the energy efficiency of DSO' grids in a holistic manner which takes account of where investment will bring the largest benefit.

More importantly, the future benchmarks for network losses should not be based exclusively on historic data. Ultimately, we argue that the introduction of the EEFP in the network planning, network development and investment decisions of all energy-related investments shall be carefully considered.

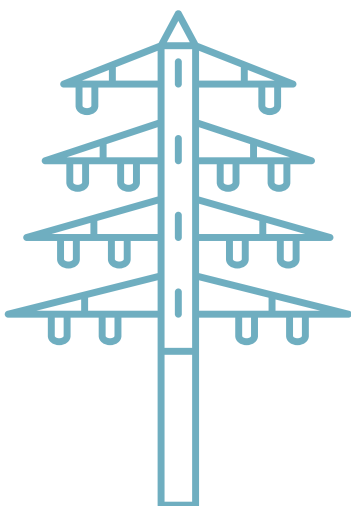
Cost-effectiveness of network tariffs

Articles 25(6) and 25(9) should not undermine the principle of cost-reflectiveness of network tariffs. As neutral market facilitators DSOs call for removing **Article 25(9)**. Providing high efficiency cogeneration stakeholders with lower network charges contradicts the principle of non-discrimination. DSOs serve market actors the same way regardless of their CO2 content or level of energy efficiency. In particular the share of capacity and energy components in network tariffs must cost-reflective as a prerequisite for an efficient use of infrastructure contributing to overall energy efficiency.



Delivery of energy services

We suggest reviewing the requirement in **Article 27 (8)** for MS and DSOs to refrain from any activities that may impede the demand for and delivery of energy services or other energy efficiency improvement measures. This provision is in contradiction with the Electricity Market Regulation which recognises DSOs as neutral market facilitators which aim to facilitate such services.



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RENEWABLE ENERGY DIRECTIVE

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Renewable and low-carbon energy is already playing an important role in reducing the carbon footprint of the European economy. Further integration of both renewable and low-carbon energy will be crucial to achieve EU's ambitious emission reduction targets. For this to happen it will be of utmost importance to focus on the enabling tools and concrete pathways to deliver on the objectives, while also removing the remaining barriers to the deployment of Renewable Energy Sources (RES).

We believe that renewable energy will play a key role in delivering the higher greenhouse gas emission reduction target for 2030 and carbon neutrality by 2050. Therefore, E.DSO supports the raise of the 2030 RES target to 40% and the indicative target for penetration of renewable energy in the final energy consumption of the building sector. This approach highlights the importance of electrification for the EU's climate goals.

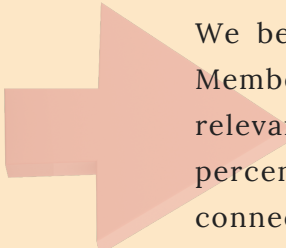
Our Concerns

We appreciate the recognition of electricity DSOs and their importance for the integration of renewable sources. Nevertheless, without a proper regulatory framework enabling the necessary investment in distribution networks, which could make possible the connection and secure operation of the new renewable plants, 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 Member States to facilitate new renewable capacity by encouraging investment connections and reinforcements in the grid infrastructure.**

Thanks to the digitalisation of network and the uptake of smart grids and smart meters, DSOs have many digital tools at their disposal to collect relevant energy data. **As neutral actors, DSOs are best placed to collect data and share them with all relevant stakeholders to achieve the twin digital and energy transition.**

We recognise that the mission given to DSOs in **Article 1 (10) (1) (inserting new Article 20a (1))** to make available information on the share of renewable electricity and GHG emissions in the electricity mix is a manifestation of this. Nevertheless, the disclosure of such data for each bidding zone, is an expensive requirement for network operators.



We believe that the way to collect this data should be decided on a Member State level. In any case, DSOs are ready to contribute with relevant information currently at their disposal since the RES percentage is difficult to disclose when the generation is not directly connected to the DSO grid.

Our Recommendations

Permitting procedures

The provision of **Article 1 (2) (c)** on permitting procedures should be monitored so that the connection of new RES is not detrimental to the security and stability of the network. While we agree that it is Member States prerogative to implement quickly and thoroughly the provisions on permitting of RED II, this can be one of the biggest challenges for RES deployment at the requested speed.



Revisions

Article 1 (5) (d) on reopening the existing framework set up on Articles 15, 16, 17 one year after the adoption of the revised Directive must be removed. They create legal instability to long term projects by introducing too frequent revisions. Additionally, shortening existing procedures would be detrimental to the technical and security assessments of the network.

Data disclosure

The mandatory requirement to make data available in near to real time as enshrined **Article 1 (10) (1) (inserts Article 20a)**, should be adapted into a requirement for Member States. GHG and RES data could be made available on a voluntary basis, with the lowest frequency possible based on existing infrastructures of network operators. The mandatory requirement to make data available in near to real time should be adapted into a requirement for Member States.



Article 1 (10) (3)'s (inserts Article 20a) introduces requirements for non-publicly accessible power recharging points to support smart charging functionalities and, where judged appropriate by the NRA, bidirectional charging.

Smart charging

- On the one hand, this provision is crucial in terms of information for national and local planning processes. It must be known as early and as exactly as possible where charging installations will be located. The charging infrastructure must be technically ready for smart charging, but whether smart charging is really done is the result of market processes as this is flexibility.
- On the other hand, the requirement might imply extra costs for domestic consumers and prevent them from installing EV chargers. For this reason, it should be possible for Member States to set a threshold in KW. Non-publicly accessible power recharging points below the Member States threshold should be exempted from the obligation to support smart charging functionalities. To encourage flexibility services and communication between the grid and EV chargers, the indication of smart meters should be added to the definition of “smart charging”.

Principle of non-discrimination

Article 1 (10) (4) regarding 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 which smart meters, when deployed by Member States, are an efficient tool.



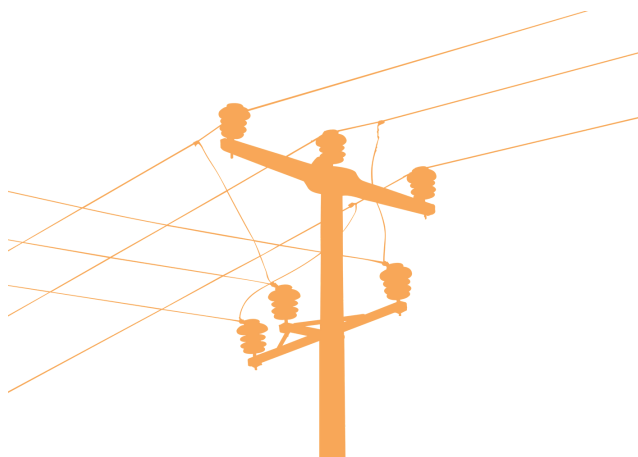
Flexibility services

Article 1 (13) (e) should not introduce additional specific requirements and administrative burdens for DSOs since they already ensure a fair participation of third parties in providing flexibility services. Flexibility services benefit the distribution network. When defining specifications for procuring flexibility services DSOs already ensure a non-discriminatory participation of all market participants, including district heating and cooling. For this reason, the evaluation of the needs for flexibility services should remain under DSO management as set up in the Electricity Directive and should not be subject to additional specific evaluations.



Recharging points for EV

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 Member States decision (Article 33 (3) of Directive 2019/944/EU).



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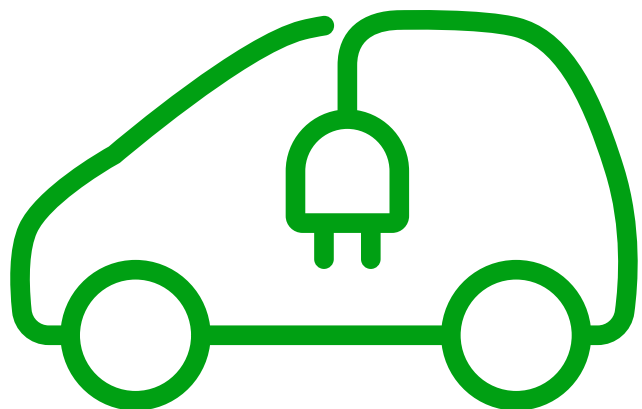
ALTERNATIVE FUELS INFRASTRUCTURE

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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 other modes of transport will be connected to their distribution grids. It should also be considered that DSOs are allowed to own, develop, manage, or operate recharging points for EVs subject to certain conditions and Member State decision (Article 33 (3) of Directive 2019/944/EU).

E.DSO supports the introduction of mandatory MS targets for the deployment of EV charging infrastructure as it will enable the electrification of the transport sector. E.DSO also 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 integration of Renewable Energy Sources.



Our Recommendations

Smart Meters

Since most of the EV chargers are connected to the distribution grid and will withdraw from and/or inject electricity to the grid, DSOs will be at the centre of such operations. Smart meters, when already deployed by Member States, are relevant tools for this activity as they give secure and reliable data and facilitate smart charging as well as the participation of EV owners in the provision of flexibility services. Smart meters' contribution should be concretely acknowledged as an integral part of smart charging operation and included in its definition in **Article 2**.



Evaluation of Flexibility Needs

Electric mobility and the uptake of EV charging will greatly contribute to system integration by providing demand side flexibility to the energy system (as mentioned in the Energy System Integration Strategy). E.DSO's members fully agree with this statement and will substantially contribute to the redaction of a future network code on Demand side flexibility through the newly established EU DSO Entity.

Nevertheless, **Article 14 (3)** confers large powers to NRAs in assessing the contribution of EVs to the flexibility of the energy system. DSOs are the more relevant stakeholders to assess the flexibility needs as stated in Article 32 of the Electricity Directive (EU) 2019/944. The evaluation of EV contribution 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.



Technical Specifications

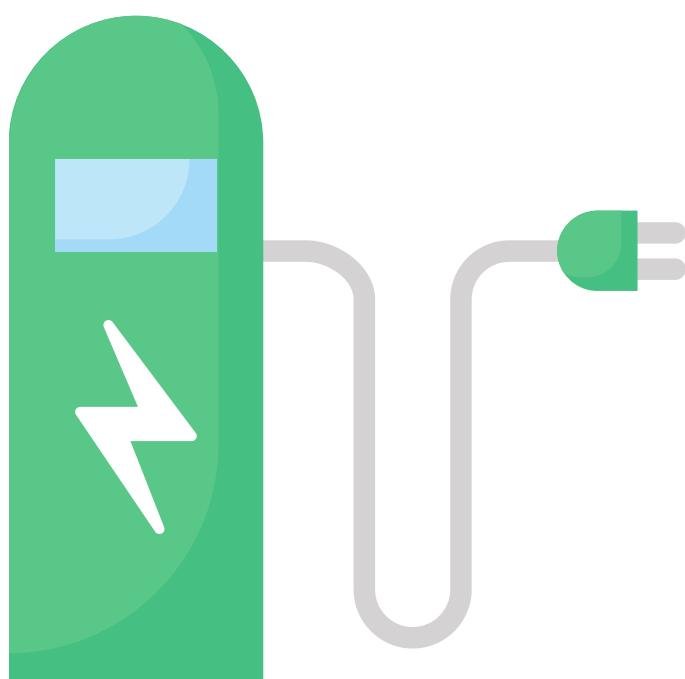
Concerning **Article 19 (6) and Annex II (2)**, DSOs must be associated to the definition of technical specifications on communication with the grid. DSOs are central to this process and will be directly impacted by the development of the technical specifications. For this reason, they should be included in their definition in alignment with the best practises for development of standards.

Reinforcement of Grid Capacity

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 emphasise the 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.

It would be more appropriate to adopt a similar approach to the one E.DSO recommends about the Renewable Energy Directive. In this way Member States should be mandated to facilitate the electrification of transport by encouraging investments in the capacity of distribution networks as far as this is necessary and proportional.



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