

## Electrification Alliance position on the revision of the TEN-E regulation

The Electrification Alliance welcomes the initiative by the European Commission (EC) to revise the Trans-European Networks – Energy regulation as part of its Green Deal agenda and to ensure consistency with the 2030 and 2050 climate and energy targets.

The transition to climate neutrality will require smart, reliable, and efficient infrastructure to deliver carbon-neutral energy to consumers in a secure and affordable manner. Though today's grid is ready to start integrating increasing shares of electricity demand, the share of electricity in energy end use in the EU could reach up to 60% by 2050. End-use sectors like buildings, heating and cooling, and transport see increasing electrification, using clean electricity, as a means of cost-effectively reducing their emissions. According to the European Commission Long-Term Decarbonisation Strategy, this would require investing €59 billion annually in power grids in the next decade, almost triple the amount invested annually between 2011 and 2020. In contrast, no further investments are needed in new gas infrastructure.

The revision of the Trans-European Network for Energy (TEN-E) regulation offers an important opportunity for the EU to give priority and funding to future-proof Europe's energy infrastructure, in a cost-effective manner. The priority corridors and areas, as well as the eligibility criteria set out in the TEN-E regulation, were defined in 2013 with market integration and security of supply as the ultimate goal. That approach is no longer in line with the evolution of the energy system and with the 2030 and 2050 decarbonisation goals. Getting energy infrastructure regulation right is central to reaching these objectives.

The Electrification Alliance would like to highlight five priorities for a successful revision:

### **1. Revisit the selection criteria of the PCI list to ensure they are fully in line with the EU's 2030 and 2050 decarbonisation objectives**

**The Project of Common Interest (PCI) label and related Connecting Europe Facility (CEF) funding should prioritise projects that support cost-efficient electrification** in line with the EU's Energy System Integration strategy and the application of the energy efficiency first principle at system level. This leads to opting for direct electrification-based solutions whenever possible:

- Sustainability is currently just one of the criteria which PCIs need to meet, while it should be the overriding selection criterion for the allocation of the PCI project label and to access related EU financial assistance for works and studies.
- **The TEN-E should not fund new fossil fuel infrastructure that creates stranded assets.** Where direct electrification-based solutions are proven to be technically unfeasible or less cost-efficient under a long-term perspective, allocation of funding to repurposing of fossil fuel infrastructure should be based on cost efficiency and strict rules, including respecting a thorough cost-benefit analysis and avoiding stranded investments.

In addition, the definition of the security of supply and the cross-border criteria should be adapted.

- A project's contribution to **energy security of supply** should be updated and interpreted more broadly to include its potential climate impacts, its contribution to climate resilience and its susceptibility to cyber security threats. It should also recognise the contribution of energy efficiency measures, clean and renewable energy sources, overall availability of carbon-neutral power generation, demand-response and storage consistently with the European Investment Bank's (EIB) energy lending policy definition.
- The **cross-border criterion** should be expanded to reflect the EU added value of local projects, even in the absence of infrastructure physically crossing borders. 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 projects).

## 2. Make use of fully integrated energy scenarios in the TYNDP

The scenarios should recognise and reflect the interlinkages between different vectors (electricity, gas, heat) and sectors (mobility, heating and cooling, digital, industry). They should give due consideration to energy efficiency and demand-side flexibility resources (demand response, storage and distributed renewable generation) as equal measures to achieve energy infrastructure objectives in the most cost-efficient manner. Such scenarios should furthermore reflect the increasing importance of electricity transmission and distribution grid development, and make use of synergies with other infrastructure planning instruments such as TEN-T. Linking to this, for example, could accelerate the deployment of electric vehicle charging stations by ensuring the identification of grid-optimal charging locations, thereby avoiding unnecessary grid costs and minimising connection times.

### 3. Establish a governance system that better reflects the changing energy system

The Electrification Alliance calls for a more independent analysis of energy system needs, using fully integrated energy scenarios that consider all solutions to achieving energy security, competitiveness, and sustainability. The third Energy Package and current TEN-E regulation give a strong mandate to the ENTSOs to determine system needs and develop the analytical basis for determining priority infrastructure projects.

Therefore:

- In drafting the TYNDP scenarios, ENTSOs should source independent analysis and compare TSOs' operational expertise with independent sources of evidence, as well as input derived from a wide range of stakeholders, in particular DSOs and independent market parties.
- The European Commission should take into account the long-term perspective and approve the TYNDP scenarios. In doing so, it should ensure their consistency with the climate neutrality target.
- ACER should be empowered to take a binding opinion on the draft cost-benefit methodology for the project selection. Such methodology should include due consideration of all alternative potential solutions for each energy system need identified (e.g. electricity, gas or hydrogen; interconnection, DSR or storage), thus ensuring that the most efficient solutions for the whole energy system are ultimately adopted. ENTSOs should have to take this into account in the final methodology.

### 4. Prioritise funding for network optimisation, transformation, and decentralisation

To achieve the decarbonisation targets, new types of assets, services, and projects, such as smart grid projects at the low-voltage level of the distribution networks, need to be further supported and included in the TEN-E's scope. Distribution grids will integrate more than 70% of new renewable added capacity.

- **Smart grids**

To date, only a few smart grid projects have been eligible as PCIs mainly due to excessively strict criteria. It is essential to broaden eligibility criteria, indicators, thematic areas, as well as the energy infrastructure categories. This should include low voltage grids (<10kV) and ease the selection procedure (by revising the cumulative criteria and the definition of the cross-border relevance). For instance, a criterion related to the penetration of electric vehicles and heat pumps enabled by a smart grid project could be added on top of the renewable grid integration criterion.

- **Hydrogen**

As direct electrification remains the first and most efficient means of decarbonising end-use sectors, power infrastructure should remain the primary focus of the TEN-E Regulation. Yet, where necessary to decarbonise hard-to-abate sectors, the support to dedicated hydrogen infrastructure should be targeted and cost-effective, on the basis of a sound cost-benefit analysis by the EC and the national regulators. Such

analysis should take into account the development of electricity grids, clean and renewable electricity supplies, as well as the growth of hydrogen demand, especially in more localised clusters, centred around hard-to-abate sectors, for which hydrogen demand would not require dedicated long-haul transport infrastructures.

## **5. Further simplify project permitting procedures**

In spite of the 'fast-track' process, permitting procedures granted to PCIs remain complex and lengthy, with the average expected duration to complete PCIs being 10.5 years according to ACER. In practice, the one-stop-shop solution has not yet proven successful in some Member States due to conflicting pre-existing procedures and/or specific institutional context, as well as public opposition.

A solution could be to further simplify procedures to decrease the administrative burden for project developers. As PCIs have to undergo the selection process every two years, for example, they risk losing their 'priority' status during implementation as well as losing further financial support. This is especially important for projects in the permitting or even construction phase, so that no additional risks come up.

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