

CEEP INPUT ON THE TRANS-EUROPEAN ENERGY INFRASTRUCTURE- REVISION OF GUIDELINES (TEN-E)

CEEP, the European Centre of Employers and Enterprises providing Public Services and Services of General Interest (SGIs), welcomes the Commission's initiative to review the guidelines for Trans-European Energy infrastructure in order to ensure its consistency with the 2050 climate neutrality objective and a more digitalised, decentralised and sector integrated energy system. Intensified cross-border and regional cooperation will contribute to strengthening the resilience of the energy system, security of supply and contributing to a clean energy transition. CEEP believes that sector integration is key to successfully decarbonise the energy and transport sector, thereby, unleashing the energy transition.

The TEN-E regulation needs to adapt to the new energy world and policy objectives

The characteristics of the energy system in the year 2020 differ substantially from those in the year 2011 when the TEN-E-regulation was first drafted. Further, European policy objectives have advanced in the direction of a more decarbonised and renewable system in the transport, building and industries. This means, the TEN-E Regulation would have to reflect the EU's energy and climate targets for 2030, the 2050 Climate neutrality objective, and the energy efficiency first principle. The decentralisation and digitalisation of the energy system and greater integration of the various sectors must lead to a rethinking of European energy infrastructure planning and financing. The approach to date in terms of infrastructure planning when preparing 10-year network development plans (TYNDP) and the definition of so-called *projects of common interest* (PCI) as well as the available financing options must be revised to reflect the new circumstances.

In order to leverage the potential of sector integration and with the aim of decarbonising Europe, there needs to be **integrated network planning** involving power and gas grids as well as transmission system operators and distribution system operators. This is the only way of ensuring commercially optimal and efficient planning.

- At the **local level** of the distribution system operator, **cross-sectoral coordination** already works very well in some countries as a result of so-called combined system operators which are responsible for power, gas and district heating grids.
- At the **EU level**, the **transmission system operators** coordinate the definition of the ten-year network development plans (TYNDP) for integrated network planning **by means of the ENTSOG and ENTSO-E entities**. The next such plan (TYNDP 2022) will already apply a common *modelling* for gas and power.

However, the coordination at the EU level between the TSOs and DSOs is in need of improvement as there is no mandatory involvement of the DSOs in the preparation of the TYNDP. There are signs of

improved cooperation¹ but this needs to be legally established. For example, although it is planned that the revision of Article 32(3-5) of the directive on the internal market for electricity² will mean that DSOs broadly consult on and publish a transparent network development plan (including transmission system operators) every two years, it is not foreseen that there will be any other rights or entitlements to have a say at the EU level.

On the grounds of the **continuously rising importance of DSOs in the energy system** (keywords: smart grids and market facilitators), their active involvement in decision-making processes is important. It is for this reason that the establishment of a DSO entity in the power and the gas sector is so decisive. The consideration of combined system operators (power, gas & district heating) with comprehensive expertise of all sectors in these entities is particularly important given the growing significance of sector integration and should therefore also be taken into account when appointing board members in the relevant DSO entity.

New criteria needed for financing infrastructure projects in the TEN-E

These new infrastructure plans also define the changes in terms of the financing of European projects. In the interests of intensified sector integration taking decentralisation into account, there are two aspects which now need to be considered:

- **Transition from large-scale, stand-alone projects to decentralised sector integration projects:** An isolated view of the transmission networks in the power and gas sectors is no longer sufficient and needs to also consider other sectors and all network levels. The issue is no longer solely a question of expanding power transmission networks but viewing the situation in the context of all existing infrastructure. Particular emphasis here needs to be placed on sector integration solutions, which don't necessarily need to be cross-border in nature. More consideration in this context also needs to be given to the gas grid as a storage facility and P2G systems.
- **Larger role for DSOs as enablers of smart grids:** The role of DSOs has changed radically since the implementation of the TEN-E Regulation in 2013. For example, it is primarily DSOs which bear the burden of sector integration and make the energy transition more affordable. Instead of an unconsidered expansion of transmission networks, there should be more **funding for regional projects implemented by DSOs**.

As a consequence, when revising the above regulation, it is important to expand the suitability criteria and to shift the focus away from major power line projects to smaller, decentralised infrastructure projects which are the keys to sector integration.

Additionally, the role of Connecting Europe Facility (CEF) must be maintained as the main mechanism for supporting investments **into key cross border infrastructure projects that link the energy systems of EU countries**. The revised TEN-E Regulation will broadly define the eligibility for the CEF funding and

¹ The conclusions of the Copenhagen Energy Infrastructure Forum 2019 included an announcement on the part of the European Commission that DSO associations and ENTSOG/-E should establish a coordination process for the TYNDP 2022, particularly with regard to the process of preparing scenarios, which is intended to start in the summer of 2020. The first step is intended to define that DSO associations are to be integrated into the scenarios preparation process as equitable stakeholders, in the definition of assumptions and hypotheses for energy demand and supply, for example. ([Conclusions of the Copenhagen Energy Infrastructure Forum](#))

² Directive 2018/2001 on the promotion of the use of energy from renewable sources

its complementarity with InvestEU and the Just Transition Mechanism or Regional Funds. The completion of the internal energy market as a whole should stay the main priority for the qualification as PCI with the objective of leading to enhanced security of supply and facilitating the transport of renewable and decarbonised energy in a cost-effective manner across the EU.

Inclusion of district heating and cooling into the TEN-E

A neglected but important component of CO₂ reduction and sector integration relates to district heating and the district heating grid, particularly in large urban areas. District heating is operated as a system of generation plant and network. Generation and distribution match precisely, what guarantees security of supply and facilitates an efficient and climate-friendly operation mode of the generation facility. They are therefore interdependent on each other and an investment decision must take both aspects into account, otherwise an investment decision would be counterproductive.

Currently, these systems are not included in the TEN-E regulation and the following problems exist:

- The provisions on the organisation of the permit granting process (Art. 8) is not applicable to the heating infrastructure. There is no one national competent authority responsible for facilitating and coordinating the permit granting process, but the permit granting procedure is administered by the local authorities.
- In Germany, public participation process is already now transparent and unburdensome. The overall duration of permit granting process is therefore much shorter than provided in Art. 10 of the Regulation. What is more, the structure of the district heating sector would have to be taken into account.

Consider the increasing need for system balancing and flexibility provided by multiple sources within a revised TEN-E regulation

Storage as well as flexibility resources within the energy system will significantly increase over the next years. The deployment of Vehicle-to-Grid technologies in transport, smart devices and connected heat pumps in buildings, flexible load in industry and innovative pricing offers will contribute to this flexibility potential. In addition, and as long as they are connected to the electricity grid, hydrogen electrolysis facilities will add flexibility resources. **Therefore, all kinds of low carbon flexibility facilities should have the possibility to get the PCI status, including hydropower storage.**

Provide for a more robust evaluation of projects applying for PCI status

In order to ensure the robustness of project evaluation, it is essential that the evaluation is based on a plurality of sufficiently contrasting scenarios. The underlying scenarios prepared by the ENTSOs in the context of the TYNDP must be in line with EU carbon neutrality by 2050. They need to capture a large scope of robust, sustainable and consistent possible futures to highlight the risk to invest in infrastructures and explore different pathways of decarbonisation. They need to provide **cost-effective** and future-proof assessment regarding the infrastructure requirement and related investment in order to avoid stranded assets by betting too much on non-mature disruptive technologies.

In addition, the different modeling tools must take better account of the interdependencies between the various candidate projects and the alternative solutions, including the strengthening of existing infrastructures. While it is important to understand the positive externalities that projects can generate, PCI status cannot be based solely on qualitative criteria, which are difficult to assess, and must make it possible to support projects whose socio-economic interest has been proven conclusively through a robust Cost Benefit analysis. PCI status should also not be considered granted forever. In

this respect, re-assessment of long-standing PCI status projects without any progress should be envisaged.

Greater transparency of the elements underlying the selection of PCIs

The data and models which are used for the purpose of scoring and ranking candidate projects according to their benefits should be accessible to stakeholders or, when this is not possible for reasons of confidentiality, to regulators.

CEEP would like to highlight the following recommendations:

- ⇒ The definition of cross-border projects should be revised to refer to “**projects with positive cross-border impacts**”. For example, domestic sector integration projects can also have positive impacts on the overall European system and should therefore also be financed.
- ⇒ Annex I of TEN-E Regulation defines **the priority electricity corridors and areas**, and categorises these on the basis of electricity, gas, oil and thematic areas (*smart grids*). The section on “**priority thematic areas**” should be expanded to include “**sector integration technologies and solutions**”.
- ⇒ Ensuring the **inclusion of DSOs in the preparation of scenarios for the TYNDP 2022** and legally safeguarding the collaboration in the regulation of the guidelines on the Trans-European Energy Networks. The currently created **DSO entity for electricity** should be the “counterpart” of the ENTSO-E/G in this respect. It will be important that a **DSO entity for gas** is also created and **formally integrated in the process**. On the grounds of their extensive knowledge of all sectors, it is particularly important that combined network operators which also operate district heating networks as well as power and gas grids are represented.
- ⇒ The rules for groups which define the regional lists for PCIs are discussed in Annex III. The composition of entities must in future also include **representatives from DSOs**.
- ⇒ Recognition of the positive role of district heating networks in cost-effectively avoiding CO₂ emissions and, therefore, the active promotion of district heating networks, *inter alia* consideration of **the eligibility of the district heating network for funding in the TEN-E Regulation and/or as a project of common interest (PCI)** even where there is no direct cross-border dimension.
- ⇒ Provide for a **more robust evaluation of projects applying for PCI status** and greater transparency of the elements underlying the selection of PCIs