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UFE's position on the upcoming Grid Package

As Europe accelerates its transition towards a climate-neutral economy, electricity grids have become the central nervous system of the energy transition. **Without a robust, expanded, modernised and flexible network, there will be no large-scale electrification, no integration of new generation capacity, and no energy sovereignty**. Grids cannot be considered independently from overall energy policy, nor are they purely economic objects. They are critical to ensuring security of supply for every single Member State which is sovereign in its choice of energy mix. Beyond modernisation and grid reinforcement, grid development closely depends on Member States' policy choices, especially their electricity mix.

The upcoming EU Grid Package is a crucial opportunity to address the structural and regulatory obstacles that are currently slowing down investment, planning and delivery of grid infrastructure. **It must mark a turning point, a genuine shift in ambition, enabling grids to meet the unprecedented challenges of the next decades.** The future of the European power system depends on the capacity of grids to evolve in time, at scale, and with full system efficiency. This means revisiting planning and permitting, accelerating investments, deploying flexibility at scale, and ensuring fair access to EU funding.

The success of the Grid Package will depend on how the fundamental characteristics of the power system are taken into consideration.

Union Française de l'Électricité (UFE) puts forward the following recommendations to help make the Grid Package a strategic success and ensure great performance.

1) Improving grid planning process while reinforcing regional cooperation

Strengthening the governance of the TYNDP without weakening national governance

The EU-level planning process must be reinforced, but not at the expense of national realities and local specificities. Indeed, a change in governance won't reduce the complexity of the process. TSOs remain key players in the ten-year network development plan (TYNDP). Any reinforcement of the EU-level planning

process must **preserve the bottom-up approach and the critical involvement of system operators and National Regulatory Authorities, who are best placed to reflect national realities and specificities**. In that sense, the participation of DSOs in the preparation of TYNDP scenarios should be enhanced.

DSO/TSO cooperation is crucial in terms of planning to ensure coherent development plans, allowing the integration of new assets, optimising grid usage and supporting the transition towards a low-carbon energy system.

UFE recommends:

- Maintaining national stakeholders' strong involvement in the TYNDP process.
- Avoiding excessive centralisation of planning responsibilities at EU level.
- Enhancing DSO participation in scenario construction.
- Promoting structured TSO-DSO cooperation at all levels.

Adapting the planning timeline to real-world complexity

Sufficient time must be allowed between exercises to properly identify system needs and build robust scenarios. This will ensure that stakeholders have the necessary time to apply the provisions effectively. Given the complexity of scenario development, grid modelling and continuous methodological improvements, **reducing the frequency of planning exercises to once every four years** would be more appropriate.

At the same time, **a 5-to-10-year horizon for these planning exercises remains fit for purpose** for DSOs serving more than 100,000 customers, as it aligns with the level of visibility that system operators can realistically rely on for their planning and investment decisions.

UFE recommends:

- Changing the frequency of the planning exercises cycle to once every four years for the identification of system needs and scenario construction.
- Keeping a 5-to-10-year horizon for distribution development plans for maximum efficiency, for DSOs serving more than 100,000 customers.
- Adding a 10-to-20-year horizon for transmission development plans in consistency with the upcoming EU 2040 energy and climate target.

Addressing financial barriers and encourage anticipatory investments

Securing financing at the lowest possible cost of capital is a key challenge for all system operators. Furthermore, financing remains a bottleneck, particularly for all electricity DSOs and smaller-scale projects. **A stable and attractive regulatory framework is necessary to ensure sufficient financing opportunities for network operators**. **To ensure timely adaptation of networks to electrification, anticipatory investments must be better recognised and facilitated**. Despite the 2022 revision of the TEN-E Regulation, distribution projects still face limited access to EU funding. Only anticipatory, long-term

investments allow DSOs to meet emerging needs and reduce connection delays. The European Commission and national regulators must support such investments through incentive-based tariffs, better access to low-interest loans, and full use of regulatory tools available since 2019.

UFE recommends:

- Increasing the Connecting Europe Facility Energy budget and earmarking funds for electricity grid development.
- Reviewing the TEN-E framework to improve the access of relevant stakeholders to EU funds and particularly the CEF, including for electricity DSOs.
- Developing a clear EU framework for anticipatory investments by TSOs and DSOs through incentive-based tariffs, better access to low-interest loans, and full use of regulatory tools available since 2019.
- Including a European financial instrument dedicated to distribution networks, the *Decentralised Grid Facility,* in the 2028–2034 multi-annual financial framework, with simplified administrative procedures. A pilot programme could be set up by 2026, with concrete launch by 2028, provide financial support for projects aimed at strengthening grid resilience in the face of climate and weather events.

2) Accelerating permitting procedures

Simplifying approval for strategic infrastructure

Permitting delays are a major barrier to infrastructure development. **UFE supports the need to reduce permitting times in order to strengthen electricity infrastructure and accelerate the electrification process**. In particular, speeding up permitting procedures **for new electrical network and power substations** by adapting the requirements to the size and importance of the projects is essential, as they are the cornerstone of the electricity network.

UFE recommends:

- Simplifying permitting procedures for distribution and transmission networks, by digitalising consultation and approval processes and allowing preparatory civil engineering work (such as groundwork or surveying) to start in parallel with route finalisation, provided that preliminary assessments have been completed.
- Treating power substations as a strategic infrastructure requiring faster approval.
- Targeting an average reduction of 9 months in project timelines.

Improving connection queues management

The first come / first served principle has shown its limits in offering a clear visibility on the capacity ramp-up of the projects. **Therefore, to prevent speculative or "ghost" projects and to optimise grid usage, UFE**

supports the exploration and potential implementation of a new approach, in particular for consumers — possibly through an improved version of the existing mechanism. This approach and its potential consequences for electrification, and for all relevant stakeholders, must be carefully evaluated.

In areas with higher connection demands, the social and economic impacts of connection costs must be thoroughly assessed, beyond the scope of grid connection procedure. With the introduction of higher connection costs, complementary solutions should be considered. **Certain well-defined criteria could be explored to guide connection demand towards less congested areas**, while ensuring fair and non-discriminatory access for all project types.

UFE recommends:

- Reinforcing the mechanism of management of connection queues in coordination with all stakeholders (including DSOs and customer representatives), through specific criteria to be adapted for each Member State.
- Benchmarking recent initiatives (e.g. UK prioritisation model, Dutch social benefit model, etc.) in order to identify best practices, avoid "ghost projects", and improve the efficiency of grid connection processes.
- Developing regulatory guidance at the EU level to help Member States in designing fair and effective management rules of connection queues that accelerate connections, preserve grid stability and secure the steadiness of the grid connection process for industrial customers.

3) Expanding and modernising the grids

Deploying interconnections with a clear added value

Cross-border capacity is important but must respond to identified needs. These needs should be assessed more technically and in-depth, at regional level for a better coordination between Member States and their respective energy mix. Mandatory targets can misallocate resources**.**

The investment framework must allow stakeholders to invest where it is necessary to reinforce capacity exchanges.

UFE recommends:

- Making the development of interconnections conditional on the reinforcement of the internal network.
- Requiring a more technical and detailed needs analysis involving TSOs before launching cross-border projects.
- Carefully assessing any EU cost-sharing mechanism for grid development, considering the variety of electricity mix choices.

Aligning optimisation with grid expansion

Digitalisation and flexibility help optimise infrastructure and are complementary to grid investments required for demand growth and climate adaptation. Tackling the issue of inertia in the upcoming Grid package could be beneficial as this service mitigates frequency variations through the rotating masses or synthetic inertia which contributes to the resilience of the electricity system. **Existing assets, which are currently ensuring a significant share of inertia on the continental Europe area need to be considered for the implementation of a remuneration scheme, together with new assets**.

UFE recommends:

- Supporting a balanced approach combining optimisation and physical expansion.
- Recognising that flexibility reduces strain and are complementary to grid developments.
- Implementing a non-discriminatory remuneration scheme open to all technologies and allowing each asset contributing to inertia to cover its specific costs.

Strengthening grid security

Rising physical, climate change and cyber threats call for stronger protection of electricity infrastructure, given the political and geopolitical context. **Cybersecurity is more than ever a key requirement for a secure and robust energy system,** from producers to the end consumers, including the grids.

UFE recommends:

- Prioritising the implementation of recently approved European legislations to improve cybersecurity and physical protection (NIS2, NCCS, CRA) over the launch of new initiatives, and allocating enough time to define the relevant implementing requirements for all the actors of the electricity value chain.
- Putting emphasis on climate adaptation measures for critical infrastructure in the upcoming Climate Adaptation Plan.
- Targeting a systemic approach involving interrelated energy activities such as those in gas and electricity, and all actors of the value chain in order to secure the supply of end consumers. Amending National Energy and Climate Plans (NECPs) to explicitly introduce a dimension of physical grid resilience.
- Ensuring that investments in resilience are an integral part of the Distribution Network Development Plans (DNDPs)

Improving coordination between system operation, planning and supply chains to prevent systemic risks

The increasing share of variable generation and new consumption patterns, combined with market volatility, are putting growing stress on the transmission system, leading to new dynamic behaviours that

are still not fully understood. Situations such as **negative prices can trigger sudden and large generation shifts**, getting the system closer to its operational limits and requiring costly balancing actions. **Voltage management is also becoming a more serious issue** with uses of the electric system in constant evolution. **These phenomena, observed across Europe, must be addressed to ensure secure system operation by enforcing existing measures and acting on the recent grid split or blackout events, and should inform infrastructure planning**. A siloed approach between system operation, market design and supply chain poses a risk of gridlock.

UFE recommends:

- Taking measures to mitigate negative prices situations and ensure secure system operation by better aligning consumption with periods of higher RES production ones, promoting demand-side flexibility, and accelerating the deployment of storage solutions where it is both technically and economically relevant.
- Enhancing voltage management capabilities by investing in advanced grid infrastructure with a fair and incentivising remuneration of the voltage control service provided by stakeholders, improving coordination between DSOs and TSOs, and supporting innovation in voltage control technologies.
- Promoting best practices across Member States in system operation, market design and supply chain resilience for instance by drawing inspiration from initiatives such as the French TSO's "SDDR" plan or main French DSO Enedis' planning process with stakeholders, which provide a long-term, integrated approach to grid development.

Supporting European sovereignty with a resilient supply chain for networks and a sufficient skilled workforce

Procurement delays and supply chain risks are threatening the timely execution of grid projects. The needs associated with maintaining or replacing existing grids equipment, require close coordination between system operators and their supply chain. Indeed, **the growing equipment and material requirements must be carefully planned in order to leave sufficient visibility and time for companies across the supply chain to build or strengthen their production lines**.

In addition, **updated public procurement rules should support the EU's goal of establishing a strategic manufacturing capacity for net-zero technologies in Europe**.

The energy transition and the re-industrialisation of strategic sectors for the energy transition also call for **giving particular attention to education and training**.

UFE recommends:

- Identifying the materials, equipment and skills that system operators will need over the next 5 to 10 years, in coherence with the global issues identified in the network development plans, in

order to build the appropriate supply chain and training programmes to meet these needs.

- Introducing non-price criteria in public procurement for grid projects.
- Supporting European suppliers and strategic autonomy in grid components.
- Opening new European funds for skills, including technical ones.
- Supporting the electricity sector's initiatives in terms of professional training such as French example "*Les Ecoles des Réseaux pour la Transition Energétique™*".