Union Française de l'Électricité

March 2021

Position Paper

UFE's position on the Revision of the Regulation on Trans-European Network for Energy

The French Electricity Association, UFE, believes that while the current TEN-E Regulation has proven to be effective, given the objectives that the Green Deal aims to achieve, it is necessary to update the existing framework to better match the European energy transmission and distribution landscape of tomorrow. In this context, UFE would like to share its key messages for a revised TEN-E regulation fit for purpose:

1. Ensure the revision makes electricity grids EU's best ally to reach carbon neutrality by 2050

UFE shares the European Commission's views on the need to revise the TEN-E Regulation in light of **the newest climate and energy targets** of the EU, from the Clean Energy Package to the EU Green Deal. It is of utmost importance to better match tomorrow's energy transmission and distribution landscape in order to reach carbon neutrality by 2050.

In this regard:

- **UFE supports the deletion of fossil fuels related corridors** under Annex I. The creation of dedicated corridors to offshore grid is also welcomed.
- In line with the EU GHG emissions reduction objective, **UFE strongly supports the introduction of a mandatory sustainability criterion** applying to all Projects of Common Interest (PCI) categories. This criterion must be understood in terms of **the integration of renewable and low-carbon energy sources into the grid or the reduction of GHG emissions**, in order to ensure that investments in infrastructures drive the EU towards its climate neutrality objective.

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2. Include projects of mutual interest

UFE welcomes the better consideration of third countries and the inclusion of projects of mutual interest (PMIs) in the TEN-E Regulation. Nevertheless, UFE recalls that:

- European funds allocated to PMIs **should** be used to finance **investments located on the EU's territory exclusively**.
- The strategic role of PMIs with some neighbouring third countries (e.g. EU Southern neighbourhood) should be recognised to facilitate their eligibility and access to financial assistance under CEF in connection with the EU development assistance and cooperation funding.

3. Promote decarbonisation thanks to a cost-benefit analysis (CBA)

The TEN-E Regulation should **first and foremost help promote decarbonisation at various levels** thanks to a consistent framework where all projects would be assessed on the basis of an adequate CBA methodology, so as to select the most beneficial projects from a European perspective.

- **The CBA methodology must ensure that the most cost-effective solution prevails, in order to prevent any dilution of funding** (especially in the light of the updated targets for 2030 and 2050).

UFE recalls that pursuant to Recital (62) of Directive (EU) 2019/944 on common rules for the internal market for electricity, as a general principle, storage facilities should not be owned, developed, managed or operated by system operators, but rather provide market-based and competitive services.

- Therefore, we underline that **the TEN-E framework should not be used to fund storage projects which do not meet the requirements for market-based deployment and operation**.

4. Better consider projects at distribution level and smaller scale projects

As smart distribution networks will play an important role in achieving the EU climate objectives by connecting higher loads of renewable energy sources (RES) to the grid, UFE believes the TEN-E framework should facilitate their access to PCI status.

- In this respect, UFE believes that **DSOs should be allowed to develop smart grid projects without a mandatory support from TSOs when they meet the other specific criteria set out in Article 4** and Annex IV.
- Projects involving at least two DSOs from two Member States should be allowed to qualify for PCI status, **if they can demonstrate significant benefit for the European power system especially by enabling flexibility services** such as demand response and storage and **on the basis of a robust CBA methodology**, developed to assess projects' cost-effectiveness.

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Smaller scale projects also **need to be better reflected** in the revised TEN-E Regulation. The current administrative procedure to apply for PCI status does not take into account small projects' specificities and puts a heavy administrative burden on promoters.

- Therefore, UFE calls for an **adaptation of the administrative procedure**, in order to better reflect the diversity of projects in terms of size and investment needs. **This could be done by setting thresholds based on investment needs** (for instance one category for projects above 100M€ and one category for projects under 100M€, with a minimum application threshold of 10M€).

5. Alleviate the administrative burden on project promoters

The public consultation was proven indispensable in PCIs' permit-granting process, as it has led to an increased public acceptance of the process and improvement of the project. **It is therefore of utmost importance to ensure that all PCIs are subject to a public consultation**.

Nevertheless, UFE acknowledges that the former TEN-E requirements on that matter have sometimes created time-consuming redundancy with national provisions already in place. **UFE therefore welcomes the fact that carrying out a PCI-specific public consultation is no longer mandatory**, when this provision is already covered by national law at the same or higher standards. This will facilitate the permit-granting process by removing unnecessary administrative procedures, without undermining transparency and public participation.

For the sake of transparency, UFE welcomes the new requirement for project promoters to publish a report explaining how opinions expressed in the public consultations have been taken into account, and why some of them have not. To ensure a consistent disclosure of information between projects, **UFE calls for the elaboration of a list of information project promoters will have to report on**. This list could be developed by the European Commission or ACER.

- Finally, UFE warns against the restrictive time period during which projects promoters shall submit a **request for a cross-border cost allocation: the proposed 36-month period before the start of the construction phase must be extended**, as it does not reflect ongoing procedures. Some requests are currently submitted up to 5 years before the expected construction phase.

6. Facilitate offshore grid development

UFE welcomes the specific focus put on offshore grid development. **To take full advantage of the potential for offshore renewable energy offered by all sea basins in the EU**, UFE believes that projects included in the integrated offshore grid development plans drawn up and published by the ENTSO for Electricity should be eligible for PCI status under Article 1(c).

UFE acknowledges and welcomes the EC's efforts to reduce the permit granting process. For this reason, the creation of an 'offshore one-stop shop' per sea basin will be welcomed if it brings tangible simplifications for project promoters.

- **Although UFE acknowledges the need for planification of offshore grid, we warn against measures** that would be **too prescriptive.** Indeed, overly prescriptive measures could ultimately have counterproductive consequences and risk hampering the development of offshore grid by creating significant delays. In this regard, the **existing requirement for ENTSO-E to publish, for each sea basin, an integrated offshore network development** plan for 2050, with intermediate steps for 2030 and 2040, based on an agreement between the relevant Member States, **is already sufficiently normative.**
- UFE also calls for **consistency regarding the elaboration of development plans for onshore and offshore grids**. An assessment of the TYNDP is conducted every two years, while network development plans for each sea basin are required to be updated every three years by ENTSO-E. This lack of uniformity could make the planification process harder. Conducting an **assessment of the TYNDP every three years** should be considered.
- A grid project related to an offshore generation facility stemming from the European Gap Filler should be allowed to apply for PCI or PMI status under the rules of the TEN-E Regulation.

7. Improve governance

UFE takes note of the proposed revision of the TYNDP governance, especially regarding ACER's strengthened role in the elaboration of the framework guidelines for the joint scenarios to be developed by ENTSO-E and ENTSO-G.

- Although ACER can set general orientations to guide the elaboration of the scenarios, ENTSO-E and ENTSO-G must **retain a central role in the development of the TYNDP**, especially regarding the implementation guidelines of the joint scenarios.

UFE welcomes the inclusion of the EU DSO Entity in the list of stakeholders to be consulted by ACER for the elaboration of the guidelines. Better integration of DSO representatives in regional groups would also help improve the selection process.

- The European Commission should allow **representatives of DSOs to coordinate among themselves** to ensure their participation in regional groups responsible for **distribution projects**.

8. Optimise allocated funds

The European Commission proposes to **coordinate the planning and implementation of PCIs in the areas of energy, transport and telecommunication infrastructure** in order to generate synergies while limiting land use and projects' potential negative social, economic and environmental impacts.

- UFE supports this proposal **to coordinate as much as possible the planning and implementation of PCIs** when economically and socially efficient but **regrets that it is only mentioned in Recital 29**. A reference within an article would be more engaging.

When it comes to infrastructure gaps identification:

- **UFE supports the proposal to implement the energy efficiency first principle and to encourage a greater use of flexibility.** To that extent, UFE considers that network management by TSOs and DSOs by arbitrating between flexibility and network investment **could usefully be recognised as a means of identifying infrastructure gaps**. Beside the gap identification realised by ENTSO-E under the TYNDP, **DSOs should be competent to assess infrastructure needs for smart electricity grid projects at distribution level** within a separate framework in a coherent planning framework to be jointly defined by the DSOs and ENTSO-E.

9. Harmonise criteria for smart electricity grid and smart gas grid projects

UFE supports the simplification of the list of criteria applying to smart electricity grid projects in Article 4.3(b), where the former list of 6 mandatory criteria is replaced by the obligation to comply with 2 out of 3 criteria (on top of the new sustainability criterion).

- However, UFE **asks for an equal treatment with regard to requirements to be met by smart electricity grid and smart gas grid projects.** In the proposed revised Regulation, **smart gas grid projects are subject to less restrictive criteria than smart electricity grid projects**: they only need to comply with 1 out of 3 criteria (on top of the sustainability criterion). UFE does not understand this difference and **calls for a harmonisation of the requirements applying to smart grid projects**.
- In order to access the PCI status, smart electricity grid projects must comply with specific requirements listed in Annex IV Paragraph 1(c) in terms of users covered, consumption area and share of variable renewable sources, which is not the case for smart gas grids. **As these criteria ensure projects' significant cross-border impact, UFE calls for the application of equivalent requirements for smart gas grid projects.**

UFE also notes a **lack of consistency in the adaptation of the sustainability criterion** between smart electricity grids, smart gas grids, hydrogen and electrolysers.

- We call for a **harmonisation in line with the definition of the sustainable criterion set out in Recital 16**: "either in terms of the integration of renewable and low-carbon energy sources into the grid or the reduction of greenhouse gas (GHG) emissions, as relevant." Indeed, it is key to acknowledge that **GHG emissions reduction is not necessarily linked to the integration of RES into the grid**. Solutions allowing to reduce GHG emissions without creating new infrastructures (e.g. digitalisation projects to improve flexibility) must be taken into account and applied to each category in the same way, even if they do not *per se* allow for RES integration.