

November 2021

## UFE's reply to the consultation of the European Commission on the [revision of the Directive on the energy efficiency \(EED\)](#)

The association representing the French Electricity Industry (UFE), welcomes the European Commission's proposal to revise the Directive on energy efficiency. In particular, we support the following provisions, which will lead to faster results:

- **strengthening the EU energy efficiency target**, now binding
  - the **extension of art. 5's provisions to all public buildings**, regardless of their level of administration.
- But given the climate emergency, we believe that **some improvements are still needed**:

### Recommendations on the Energy Efficiency First Principle (Art. 3)

The implementation of the Energy Efficiency First Principle (EEFP) must not hinder the reduction of GHG emissions per consumption unit and should not be separated from a holistic and a system-wide approach.

- Therefore, **UFE recommends setting a CO2 non-degradation principle per kWh consumed within this principle**. This will ensure that **any measure or action promoted by the EEFP will actually lead to a reduction of GHG emissions per unit of consumption**. Such a principle will also support a quicker phase-out of fossil-fuel energies, which will bring tangible results on the national decarbonisation trajectories.
- **A CO2 non-degradation principle is already in force** in France for the renovation of non-residential buildings<sup>1</sup>. The **Tertiary Decree** states that the change in the type of energy used must not lead to any increase in the level of GHG emissions.

### Recommendations on the energy savings obligation (Art. 8)

Even if the targets may seem ambitious, considering the necessary evolution of eligible actions of energy efficiency, **UFE fully supports a target higher than the target of 0.8% set in the current directive for the energy savings obligation**. However, we remain cautious about the level of ambition

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<sup>1</sup> [In French] [Décret n° 2019-771 of 23 July 2019 related to the obligations to carry out actions reducing the final energy consumption in tertiary buildings](#), article 1, sub-section 2

(i.e. from 0.8% to 1.5% by 2024) as it might seem too ambitious, especially in its articulation with other regulations.

UFE recalls that, since energy savings alone do not necessarily yield sufficient long-term reduction in GHG emissions, the introduction of a climate efficiency approach is essential to strengthen the link between energy savings and reduction of GHG emissions, and therefore achieve the objective of the Fit for 55 package.

**When it comes to the proposal of integrating transmission system operators (TSOs) to the obligated parties' list**, TSOs do not have at their disposal direct tools to fulfil the relative obligations. **UFE does not consider that network operators are best placed to implement this obligation. UFE believes their role should focus on implementing an efficient energy system.**

- Therefore, **UFE recommends not integrating TSOs to the list of obligated parties.**

### Recommendations on the energy management and audits (Art. 11)

UFE supports the Commission's proposal to revise energy audits in a way that focuses no longer on the size of the company, but on the energy consumption.

While UFE is supportive of the new provisions that aimed to enhance the requirements for companies, we believe that **a qualitative approach still lacks when it comes to building renovations**. Such an approach will make it possible to **compare energy performance levels, GHG emissions and the comfort conditions of buildings before and after works** in order to assess the benefits of a renovation.

- Therefore, UFE recommends **setting ex-ante and post-work diagnoses as part of the energy audits** to assess the quality of the renovations carried out.
- **Data provided by smart meters could be used** to evaluate the ex-post effectiveness of consumption savings.
- On the long term, when it comes to guaranteeing the results of these renovations, the Energy Performance Contracts should be developed.

### Recommendations on the new provisions regarding Transmission System Operators (TSOs) and Distribution System Operators (DSOs) (Art. 3, 7 and 25)

#### Regarding the application of the energy efficiency first principle in network planning, network development and investment decisions (art.25)

UFE takes note of the new provisions regarding TSOs and DSOs but **has reasonable doubts about the approach followed by the European Commission**. Indeed, if we support the goal of energy efficiency in networks, measures to achieve it must not become counterproductive and losses should be considered in light of the following elements:

The decarbonisation objectives will lead to an intensification of electrification, which in itself means

more potential energy losses on the power networks: the distance between production assets and consumption centres may increase, the development of electromobility and therefore the number of charging points will lead to an extension of the network, moreover to foster social acceptance, underground lines could be favoured.

Losses are inherent to the physics behind electricity transmission and distribution, and therefore cannot be completely avoided. They result from the dispersion of energy determined by the passage of electricity through conductors and during the transformation phases.

It is therefore necessary that the requirements are made at the right level:

DSOs apply **network tariffs aiming at optimising costs** as required by the Electricity Regulation. **DSOs and TSOs already contribute to reducing network losses** as part of network planning, design processes and the purchase of Ecodesign compliant equipment.

- Taking these elements into account, it is **essential to ensure that the application of the EEF principle continues to comply with the key principles of non-discrimination and cost-reflectiveness**.

**A more comprehensive and holistic approach, which goes beyond network energy losses, should be adopted.** Network losses are not the only measurable way to address energy efficiency for TSOs and DSOs. Grid operators greatly contribute to the overall efficiency and security of the European energy system through enhanced electrification. A narrow approach, focusing only on the reduction of network losses, will not guarantee that an overall efficient energy system is achieved, and will increase the administrative burden. Such an approach will have a detrimental effect on the procedures aimed at monitoring energy efficiency. **A potential higher level of losses could be justified to achieve other equally relevant priorities** such as system security and an efficient management of grid congestion, which are also part of the obligations of TSOs and DSOs.

- Therefore, **the focus should not be put on network losses only, but rather on infrastructure investments contributing to climate efficiency objectives as a whole**, e.g. by deploying solutions to better manage the network flows, integrate more renewables, provide indicators for energy efficiency services and enlarge flexibility capacities (smart grids).

Finally, regarding the application of the energy efficiency first in relation to flexibilities (Recital 14), UFE recalls that **flexibilities do not tend to enable energy efficiency but rather allow for a better distribution of energy consumption, for instance by temporarily reducing** the power demand, shifting the energy consumption at a different moment of the day, but without necessarily leading to energy savings.

**Regarding the encouragement to locate high-efficiency cogeneration close to areas of heat demand (art.25.9)**

UFE believes that Member States should remain the ones that decide whether cogeneration should be encouraged or not, as it is a matter of energy policy where subsidiarity applies. In some Member States, such as France, promoting cogeneration rather than another technology could, in some

cases, lead to an increase in GHG emissions, which is specifically what UFE wishes to avoid with the introduction of a non-degradation principle. Furthermore, the promotion of cogeneration is not in line with the principle of non-discrimination between suppliers that TSOs and DSOs have to respect. Finally, the basic principle of grid connection costs is to reflect optimisation and connection.

Therefore, UFE:

- **Asks that Member States remain the ones who decide** whether cogeneration should be encouraged or not;
- **Requests that network tariffs reductions do not apply to cogeneration units in art. 25.9:** if a Member State decides to promote cogeneration, it should instead propose explicit incentives.

**Regarding the role of the National Regulatory Authorities (NRAs) in providing methodology and guidance on how to assess alternatives in the cost-benefit analysis (art.25.2)**

UFE would like to recall that TSOs and DSOs already have an experience in developing (national) CBA methodologies and that, in the context of planning, NRAs already supervise the content of the TSO investment plans in practice

- Therefore, UFE believes that **the CBA alternatives of art. 25.2 should rather be developed and provided by the TSOs rather than by NRAs.** This would guarantee consistency with similar existing processes but also efficiency, through a clear delimitation of roles reducing the risk of overlapping competences or efforts.

**Regarding public procurement (art.7)**

**The public procurement requirements applied to TSOs are already very strict,** and sometimes limit the supply side to just a few providers. Therefore, further tightening procurement criteria might eliminate some of the remaining providers, thus resulting in procurement delays or increased costs, impacting tariffs.

- **It is therefore essential that the structural situation of the supply side is taken into account when defining additional procurement criteria.**

The Commission requires to apply the energy efficiency first principle when concluding public contracts and concessions:

- **New requirements should not threaten the legal stability of existing contracts and concession agreements,** such as those concluded between DSOs and local authorities.