

UFE's reaction to the legislative proposal on future proof electricity bills and taxation

UFE supports a network tariff framework that enables electrification, flexibility, and efficient grid development across Europe, while contributing to affordable electricity bills for consumers. In line with the Affordable Energy Action Plan and in line with the objectives of the Citizens' Energy Package, well-designed tariffs should be transparent, cost-reflective, predictable, provide clear and understandable signals that enable consumers to make informed choices and, where possible, adapt their consumption, while ensuring that grid operators can finance the investments needed for the energy transition. These signals should not create undue complexity or assume that all consumers have the same ability to respond to them.

In a net-zero scenario, European households' energy bills could halve by 2050 thanks to electrification¹, as electricity will become the main energy source for them. UFE therefore welcomes the Commission's legislative proposal on future proof electricity bills and taxation which, as part of the Affordable Energy Action Plan, addresses two structural components of consumers' electricity bills: network charges and taxation.

The implementation of the proposal should avoid hidden cost transfers between users and preserve the ability to finance necessary grid investments while respecting the responsibilities of national regulatory authorities and allowing tariff methodologies to reflect national specificities.

Keeping national entities at the core of tariff determination while safeguarding national specificities

Preserving the expertise of national regulators in tariff determination

While UFE supports the idea of having common principles in tariff determination, the European Commission must preserve the responsibilities of NRAs in fixing or approving tariffs as set out in article 59 1.a) of Directive 2019/544. The Commission's proposal in Article 61 to set out guidelines on a common structure and harmonised methodology on tariffs through a delegated act would overstep the missions of the national regulator and reduce the capacity of tariffs to reflect national specificities. The NRA must continue to have the ability to ensure the cost-effectiveness of the system and achieve an economic optimum in the long run. **UFE is concerned about the potential influence of political considerations in this area, as well as the risk of harmonising the criteria at EU level at the expense of a more tailored approach.**

¹ Eurelectric, "Grids for Speed" (Brussels: Eurelectric, 2024), 55, https://powersummit2024.eurelectric.org/wp-content/uploads/2024/07/Grids-for-Speed_Report_FINAL_Clean.pdf.

- ➔ UFE therefore recommends the deletion of the Delegated Act in Article 61 as tariff design should be based primarily on the expertise of NRAs.

Opposing the mandatory benchmarking of system operators on tariff methodologies

Efficiency comparisons among system operators are an exercise that can highlight interesting differences between these actors, but this mechanism is limited by the influence of the contexts. Furthermore, the Commission's proposal would increase the number of indicators and reporting requirements, leading to unfit obligations in certain countries or regions. For these reasons, the scheme should remain voluntary in order to stay coherent with the variety of national situations.

UFE does not support the Commission's proposal in Article 18(7) mandating ACER and regulatory authorities to carry out mandatory efficiency comparisons with the help of performance indicators. Should an evolution of the current mechanism be further developed, it should remain proportional and cost-efficient.

- ➔ UFE recommends relying on existing efficiency comparison schemes, on a voluntary basis, and leaving their implementation to NRAs which are best placed to determine whether and how such comparisons are appropriate, and how they should take into account national specificities.

Maintaining a unified tariff regime for all categories of system users

Special tariff regimes should be avoided as they create cross-subsidisation between network users and distort competition, by allowing certain users to pay tariffs that do not adequately reflect the costs they impose on the network.

This is particularly important for energy communities and energy-sharing schemes. All users relying on public network infrastructure should contribute to the corresponding network costs, including applicable network losses, ancillary services charges, tariffs, fees and levies. Energy sharing should not create hidden cost transfers between categories of consumers or between the different suppliers of a single customer. Any specific network tariff regime for energy communities should therefore remain strictly cost-reflective and be based on objective evidence of the costs and benefits they generate for the network. Their status as an energy community should not, in itself, justify preferential network tariffs.

Nevertheless, some Member States, including France, have already established specific network tariff arrangements for energy-intensive users. The European framework should allow Member States to preserve such **existing and duly justified arrangements**, where they are compatible with the principles of cost-reflectivity, transparency and non-discrimination. In most cases, stakeholders benefitting from these arrangements represent an important electricity demand and play a central role in the electrification of processes. However, UFE believes that this should **not create a basis for introducing new preferential tariff regimes or extending existing ones to additional categories of users at national or European level.** Where specific tariff arrangements are maintained, they should be justified by objective network-related characteristics such as load profiles, consumption patterns or flexibility capabilities. Any departure from cost-reflective principles should remain strictly limited, evidence-based and subject to

regulatory oversight. The cost of funding existing targeted arrangements is borne by users of the distribution network, and this is not without consequences.

- ➔ **UFE recommends maintaining a unified tariff regime as the general principle. Any specific arrangement should remain strictly targeted, justified by objective network-related criteria, avoid hidden cost transfers to other users and remain subject to the oversight of national regulatory authorities.**

Maintaining minimum European alignment for voluntary G-charges

G-charges should not be imposed as a mandatory European requirement, as their relevance depends on national tariff structures, network cost allocation choices and the specific needs of each electricity system. However, where Member States or NRAs decide to introduce such charges, a minimum level of European harmonisation or alignment remains necessary to avoid fragmentation, distortions between neighbouring markets and inconsistent signals for generation, storage and demand-side flexibility. This minimum safeguard should preserve the type of alignment currently provided for in Annex B of the ITC Regulation, in case it is revoked, including common principles on transparency, cost-reflectivity, non-discrimination and the treatment of cross-border impacts. The actual decision to introduce, maintain or remove g-charges should nevertheless remain fully voluntary at national level.

Ensuring coherent and effective network tariff signals for consumers

The Commission's proposal provides for network tariff methodologies to include capacity-based and time-of-use elements and, where appropriate, locational signals to incentivise a more efficient use of the electricity system. UFE supports relevant network tariff signals, provided that tariffs continue primarily to ensure the recovery of network costs and their allocation among system users in a cost-reflective manner. UFE further considers that locational investment signals should be limited to connection-related charges and should not be embedded in network usage tariffs. Only connection charges constitute genuine investment signals capable of influencing location decisions.

However, network tariff signals cannot be designed in isolation. For consumers whose network charges are passed through their electricity supply contracts, their effectiveness depends on their predictability and consistency with the other price signals embedded in these contracts. Capacity-based or time-of-use elements will only lead to an effective response if suppliers can translate them into offers adapted to different consumer profiles and if the resulting overall price signal remains sufficiently clear and understandable. In this respect, time-of-use components in network tariffs should be designed as static and predictable time periods, rather than dynamic or frequently changing signals. This is necessary to ensure that consumers and suppliers can anticipate the applicable tariff periods, compare offers and adapt behaviours without excessive complexity.

The ability of consumers to respond to network tariff signals should not be overestimated. Developing demand-side flexibility requires the electrification of end-uses, access to flexible and controllable

equipment and electricity supply offers adapted to different consumer profiles. Network tariff reforms can support this development but cannot deliver consumer flexibility on its own.

Network tariff design should therefore strike an appropriate balance between cost-reflectivity, effective incentives, consumer readability and operational feasibility. The relevance of the different tariff elements should be assessed according to the categories of system users concerned and national network specificities. Significant changes also require effective coordination between national regulatory authorities, system operators and suppliers, as well as appropriate consumer information and sufficient implementation time.

- ➔ **UFE therefore stresses that the effectiveness of new network tariff signals should be assessed in light of the overall price signal received by consumers. Their design should preserve cost-reflectivity, remain sufficiently clear for the consumers concerned and ensure effective articulation with electricity supply offers.**
- ➔ **Where time-of-use components are introduced in network tariffs, they should rely on static and predictable time periods, rather than dynamic or frequently changing signals.**

Maintaining the current framework for covering network costs to preserve competition and an effective internal market for electricity

UFE is concerned about the Commission's proposal in Article 18(4) to enable Member States to partially cover network costs through State funds. This proposal could affect the level-playing field between system users at EU level, and it is in contradiction with cost-reflectiveness. The Clean Industrial State Aid Framework (CISAF) already provides for a variety of mechanisms to protect industrial actors from high energy costs. Beyond concerns relating to competition and the level playing field, the possibility for Member States to cover network costs through public budgets risks disconnecting network tariffs from the underlying costs of the system, thereby undermining the principle of cost-reflectivity on which network tariff regulation is based. **UFE recommends that the use of State funds remains targeted, transparent and limited to investments delivering clear societal and decarbonisation benefits while preserving a level playing field across Member States.**

- ➔ **UFE therefore calls for the deletion of Article 18(4).**

Maintaining a regulatory framework that supports electrification and network investment

Lowering the levels of taxation on electricity

The electrification of end-uses is the key driver to achieve energy sovereignty and reach carbon neutrality by 2050. However, in several Member States, the current energy taxation system does not provide a sufficiently supportive price signal for electrification and may continue to place electricity at a disadvantage compared with fossil-fuel alternatives. UFE welcomes the Commission's proposal in Article 18c to promote the uptake of electricity as an energy source through a supporting taxation framework.

UFE considers that ensuring a more favourable tax treatment for electricity than for fossil fuels is fully consistent with the Union's energy policy objectives of electrification, decarbonisation and energy sovereignty. Given the lack of progress on the revision of the Energy Taxation Directive, the proposed Regulation provides an opportunity to establish a coherent framework supporting electrification across the European economy. In UFE's view, the taxation provisions contained in the proposal contribute directly to the achievement of the Union's energy policy objectives. In this context, these provisions should be assessed in light of Article 194(2) TFEU, as measures supporting electrification and the efficient use of energy networks.

Greater consistency between energy taxation and European electrification and decarbonisation objectives would strengthen incentives for households to switch to clean electric solutions. Where this is achieved through reductions in electricity excise duties, it could also contribute to lowering household electricity bills and supporting household purchasing power.

➔ **UFE thus calls for the reduction of excise duties on electricity.**

Improving grid connection measures

To prevent speculative or “ghost” projects and to optimise grid usage in case of limited available grid capacity, UFE supports the exploration and potential implementation of new approaches at national level, in particular for consumers — possibly through an improved version of the existing mechanism. Relying on national regulatory authorities to approve measures to deter speculative requests, ensure sufficient maturity of projects and prioritise categories of system users will allow them to consider national specificities and build on existing mechanisms. **To ensure fair and effective management rules of connection queues that accelerate connections, preserve grid stability and secure the steadiness of the grid connection process for customers, system operators should work in cooperation with all national stakeholders, including regulatory authorities and customer representatives.** UFE also points out that transmission system operators should be encouraged to increase transparency of grid connection queues for renewables projects in case of limited available grid capacity, in order to improve the understanding of network congestion. In return, renewables project developers should ensure that the relevant non-sensitive information is also accessible to transmission system operators in a symmetrical manner. In France, RTE is currently consulting all the relevant stakeholders for the renewal of the connection framework, which should be authorised by the NRA by the end of the year, and implemented as early as 2027.

- ➔ **UFE therefore supports the Commission's proposal in Article 18d to encourage regulatory authorities to take appropriate connection measures to facilitate grid connections. This proposal should remain consistent with the current inter-institutional negotiations on the Grids Package, and more specifically the revision of Article 6 of the Electricity Directive.**
- ➔ **UFE encourages system operators to continue their efforts to ensure the accessibility of available grid capacity data to the relevant stakeholders.**
- ➔ **UFE also recommends benchmarking existing prioritisation initiatives and models (e.g. UK prioritisation model, the Dutch social benefit model, and possible evolutions to the required**

level of maturity, etc.) in order to identify best practices.

Any prioritisation mechanism should be based on objective, transparent and non-discriminatory criteria, ensuring that project maturity requirements do not unintentionally disadvantage large-scale projects that require longer development timelines. In that respect, network tariff methodologies should explicitly recognise the contribution of flexibility, storage assets and onsite production to congestion management and network optimisation, even though these criteria are not sufficient to guarantee automatic prioritisation of certain connection requests.

A technology neutral framework enabling flexibility and network expansion

While flexibility measures, storage and so-called ‘non-wire’ solutions can help to optimise grid usage on an ad hoc basis, they must neither be given systematic priority nor be considered as an alternative to physical investments. Their use must be assessed on a case-by-case basis and rely on a cost-benefit analysis that takes into account the long-term needs of the grid, the availability and sustainability of the solutions, the full costs to the system and users, and the consequences of any delay in carrying out grid reinforcements.

In addition, neutrality is required with regards to the deployment of non-fossil flexibility as it is not limited to storage and demand response. Decarbonised technologies, including nuclear generation, can also provide flexibility services to the system and should be recognised as such. The Regulation should therefore ensure full technology neutrality between decarbonised generation technologies and explicitly recognise nuclear energy on an equal footing with renewable energy where relevant.

➔ **UFE thus recommends removing the words “such as storage and demand response” throughout the Regulation to ensure a technology neutral approach.**

The regulatory framework must ensure genuine neutrality between solutions and explicitly confirm that flexibility measures complement, but do not replace, the necessary investments in the networks. In this context, UFE recommends explicit recognition of anticipated investments to adapt the grids to the pace of electrification.

Maximising the added value of flexible connection agreements

While flexible connection agreements can facilitate faster network access, they should not become a barrier to electrification. In some cases, energy consumers don’t choose electricity due to the inconvenience of a flexible connection agreement. **Flexible connections should thus primarily be used for**

generation and remain temporary while necessary grid reinforcements continue to be developed. On the demand side, their deployment should remain carefully assessed in order not to discourage electrification projects or delay the connection of new electricity demand, including strategic loads such as data centres. While flexible connection agreements can facilitate faster network access, they should provide sufficient contractual certainty and transparency on curtailment exposure.

Relying on the expertise of NRAs and system operators for the deployment of Smart Grid Indicators

The deployment of smart electricity grid indicators (SGIs) is highly dependent on local and national specificities. The Commission's proposal lacks the necessary coherence with regards to the role of National Regulatory Authorities. Directive EU 2019/944 Art 59(1)(l) states that the NRA should assess the smartness of the grid. In addition, **given the local nature of SGIs, the NRA is best placed to define the priorities, the relevant indicators and how they are calculated.** SGIs should thus not become a tool dedicated to making simplistic comparisons between system entities operating in very different national contexts.

➔ **UFE recommends deleting paragraph 2 of Article 18a.**

Finally, the data exchange framework currently in place at EU level already provides various platforms for system operators to exchange electricity grid data in a secure manner.

➔ **The new scheme as proposed by the European Commission in Article 18a (5) should remain voluntary and remain flexible enough to avoid excessive burden upon the distribution and transmission system operators.**