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RGI Statement on the Clean Energy Package

The Renewables Grid Initiative (RGI) is a unique alliance of electricity transmission system operators (TSOs) and non-governmental organisations (NGOs) from across Europe. RGI promotes the transparent and environmentally sound grid and system developments that are required to accommodate the further steady growth of electricity from renewable energy sources. RGI Members jointly address the challenges of the energy transition with NGOs promoting energy and climate political objectives and TSOs leading in implementing the political objectives set by European and national authorities.

RGI welcomes the publication of the Clean Energy For All Europeans package that should help the EU to make the transition to a zero carbon economy. **RGI believes that the extensive set of legislative proposals from the European Commission is essential to ensure the full integration of efforts performed by Member States, Businesses and other stakeholders for a successful energy transition in Europe and to empower citizens and prosumers by putting them in the**

centre of the clean energy system for their benefit and an increased flexibility of the system.

This RGI statement calls for:

1. Europe as a reliable partner in reaching the objectives set by COP 21 in Paris
2. Markets/price signals and additional flexibility tools to integrate a growing share of RES
3. A system approach (RSCs, increased coordination, TSO-DSO)
4. Regulatory stability that provides better planning and grid and RES investments
5. A sustainable and broadly supported energy transition through sound nature protection, transparent communication and stakeholders engagement

1) Europe as a reliable partner in reaching the objectives set by COP 21 in Paris

RGI welcomes the **Paris Agreement** at COP 21 and its key objectives of staying "well below" 2 degree Celsius and "pursuing efforts" to not go beyond a warming of 1.5 degree Celsius. RGI shares the analysis of most scientists that these goals require the speedy and full decarbonisation of the global power sector by 2050 at the latest. This will be achieved by delivering a significant quantity of electricity from renewable energy sources, by substantially raising energy efficiency efforts, and by pursuing the electrification of other sectors that today depend primarily on fossil fuels, such as transport, heating and cooling.

The Commission's proposals are to shape the EU energy policies beyond 2020 and should also deliver the objectives of the Paris Agreement. **However, the energy targets set in the proposals appear not to be sufficient to deliver on the commitments made at COP21.**

As confirmed by the Commission itself[1], the present 27% RES target for 2030 is close to "business as usual" and would *de facto* imply a halving of the rate of RES

1 Commission Staff Working Document Impact Assessment Accompanying the document proposal for a Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast) {COM(2016) 767 final} {SWD(2016) 419 final}, page 5

deployment of the past several years. RGI therefore calls on the Commission and the Member States to review the proposed energy targets, particularly on renewables, in the context of a transparent, science-based analysis of what is needed from the EU to stay on the path set by COP21. **Grid operators need stable regulatory frameworks and objectives to be able to plan the proper infrastructure and system changes needed for the energy transition.** To ensure such investment security, it is thus essential that the intermediate goals of the EU be aligned with the agreed international, long-term decarbonisation targets. **Weak and non-aligned RES targets endanger the EU's leading position and reduce investor confidence.** Besides, combined with adequate policies, more ambitious EU RES targets will leverage an increase in investments and boost growth, employment and Europe's standing in advanced technology development. As the cost of RES technologies has declined substantially in the last years, conditions are favourable for member states to cost effectively fulfil the commitments made in the Paris Agreement.

Furthermore, the comparatively vague proposals with regard to the governance structure (Proposal for a Regulation on Governance) should be reinforced in order to **ensure that Governments and politicians at all levels are encouraged to foster RES deployment and the grid infrastructure projects needed for the energy transition in due time.** Similarly the Commission's proposal should also give more attention to grid reinforcements and give equal priority as the investments in new generation.

All this will be particularly relevant during the structured dialogue to be held between the European Commission and the Member States within the framework of the implementation of the Energy Union and the Energy and Climate Objectives for 2030.

A transition to a fully decarbonised energy system by 2050, compliant with the Paris Agreement`s objectives, will require overall electrification of sectors and services. For the same reason of investors' need for visibility, the Clean Energy Package should give more prominence to this likely development.

Electrification provides indeed the highest possibility to utilise clean renewables most cost-effectively and speedily in sectors that still rely to a large extent on fossil fuels such as in the transport and heating and cooling sectors. RGI is convinced that the electrification in road transport in particular will come rapidly to meet the Paris objectives. The turnover time of road vehicles, which is comparatively shorter than for industrial boilers will speed up the process. Council and Parliament need to consider these issues when assessing strengthened RES targets for 2030. Any fast electrification in the light duty vehicle sector, as announced by several European and non-European car companies for their fleet production between 2020 and 2030, would have strong implications on the composition, daily load management and battery storage requirements of the grid operation by TSO.

2) Market/Price signals and additional flexibility tools required to integrate a growing share of RES

An efficient **energy transition requires** large, integrated and well-functioning European **markets that take into account the physical realities** of the power system as much as possible. Markets should provide efficient price signals for both the daily utilization of the existing resources in the electricity system and for long-term investments in infrastructure. Liquid markets play, more than ever, a major role in efficiently integrating growing shares of variable RES.

Additional flexibility to ensure constant system equilibrium and the resulting secure electricity supply will be essential in the next phase of the energy transition, especially considering the variability of RES. To that end, market products for more flexibility must further evolve to increase market liquidity in a system with more and more RES. This is necessary in both the wholesale market and in the ancillary service markets, both at national and European levels. Improved market liquidity would mean that products that can be traded closer to real-time, with shorter mobilisation lead-times become increasingly important, thus increasing the opportunity for RES generators to participate in the mechanisms designed to keep security in the system, in particular via delivering balancing responsibilities, as proposed by the European Commission.

Markets should be open to all actors to participate and compete on a level-playing field. More tailor-made, smart and regional solutions and approaches are required. Market barriers limiting RES participation need to be assessed and removed by the addition and/or refinement of existing legislation. This optimisation will contribute in lowering system costs and increasing the reliability and flexibility of the system.

As regards to flexibility, it is also evident that the economic model of demand side response and storage proposed in the Clean Energy Package should be better framed. The prohibition of compensatory payments to suppliers by aggregators is counterproductive and would hinder the development of this type of business model and thus lower market liquidity. Similarly, barriers that too strictly limit the possibility of network operators to access storage infrastructure or to deliver system services may **prevent the emergence of technological innovations (and the associated benefits) that would enhance the secure operations of the system while integrating large amounts of RES. Allowing network operators greater flexibility in balancing the system would potentially reduce the need for additional grid elements.** Such a prohibition is also incongruous as TSOs already own or operate assets that provide such system services in most European countries without any negative impact on the market (e.g. capacitors, transformers, FACTS, phase-shifters or HVDC lines, all of which have become essential elements to keep system security). The surveillance of those models via national regulators is sufficient to ensure TSOs make the best use of them without any market distortion. "Over-regulation" for a whole decade would be an error considering the speed at which the

energy sector is evolving and its need to regularly develop innovative approaches and solutions.

With regards to balancing, RGI notes the insertion in the proposed regulation of several measures already included in the future Electricity Balancing Code, which aims at the establishment of a European adjustment market and the harmonization of balancing processes. Some provisions initially envisaged in the balancing code, then excluded, are also to be noticed in the draft. RGI points out that these proposed measures are in general more of a Europeanisation "on principle", than an approach conducted by a true cost-benefit analysis.

Efficient short-term congestion management and efficient short-term markets provide incentives and reference prices for long-term markets. However, it is essential that the market design focuses on delivering efficient long-term price signals to market participants in order to reduce investments risks.

Further, it is of utmost importance that markets efficiently accommodate a growing share of variable RES into the power system and the power market, and set the right signals for efficient grid development needs. This is true for both high-voltage and growing long-distance transport needs, as well as low-voltage connectivity for the many distributed RES installations. The necessary shift to a more mixed and geographically diverse energy generation backed by adequate long-term transmission development plans could otherwise be undermined. Since best locations for RES tend to be distant from main demand centres, this is especially true for paving the way to an economically efficient energy transition with rapidly growing shares of RES. Further security is needed for TSOs to make the appropriate investment choices and provide the long-term commitment which gives NGOs the confidence to publicly support these developments among citizens and interested stakeholders.

Finally, RGI is acknowledging the proposal to accept and maintain `priority grid access` for all existing renewable energy plants, which is in compliance with current law. The ‘priority grid access’ has been, and still is, an important stimulus for RES development. In order not to endanger the objectives of the Paris Agreement and not to alienate investors, such a priority grid access should be maintained also for all new RES installations. This is economically crucial because upfront RES investments per unit of energy, particularly for variable RES, are still higher than those for incumbent fuels. We generally support the removal of all market barriers but it should be taken care of that all these market barriers are removed at the same time and not just ‘priority grid access’. This is particularly relevant since we need a well functioning market where all generation technologies, have balancing responsibilities to contribute to system security

3) A system approach is required – (RSCs, increased coordination, TSO-DSO)

RGI believes it evident that the electricity system is becoming increasingly complex due to the growing number of actors and services operating to technically and economically manage the on-going transformations. This requires TSOs (and DSOs) to consider and manage their operations as just one part of a much greater connected system, where each element needs to play both specific and flexible roles.

RGI believes a more effective coordination at a regional level between TSOs is desirable. **This can most effectively and efficiently be achieved within the framework of the RSCs (Regional Security Coordinators)** that have been set up in the last several years and which are currently regulated under the System Operation Guideline**.**

In the current phase of huge and dynamic transformation, the proposal to establish new Regional Operational Centers (ROCs) raises serious concerns at RGI, especially with regards to the responsibility for secure system operations and the ability to develop and scale regional good practices for integrating renewables in Europe.

The current structure of the RSCs acting as service providers for TSOs (of analysis and recommendations), with TSOs having the responsibility of performing real-time operations to ensure system security in their respective grid operation areas, has proven to be effective.

This framework should be further developed and enhanced with new tasks, but there is no need for replacement. The EU Commission could rather focus on encouraging regulators to remove national constraints to the development of cross-border service tasks of the RSCs.

RGI believes that ROCs might block the frontrunners in the development of intelligent solutions to integrate renewables. The establishment of regulatory, lowest common denominator'-solutions would put at risk the progress being made in progressive regions. Historically, such regions have developed solutions for the energy transition that have driven efficiencies which have subsequently been implemented as a model for European wide implementation at a later stage.

A new ROC model as described in the Clean Energy Package raises strong concerns from TSOs, NGOs and Member States regarding the loss of responsibility over security of electricity supply. Boundaries for liability between ROCs, Member States and TSOs would become unclear, thus weakening the decision-making power in system activities that need to be carried out in a very short timeframe. Finally, the governance of ROCs is unclear and does not match properly the operational reality of the European electricity system nor the obligatory cooperation between National Authorities and the ACER.

In line with the above mentioned arguments, RGI therefore recommends the further development of the existing RSCs in order to help TSOs develop cross-border services, keep system security at a very high level whilst at the same time accommodating the rapidly growing shares of variable RES. This evolution of RSCs would demonstrate real progress, allowing TSOs to correctly exert their system responsibilities. RSCs should also increasingly cooperate with each other to exchange regional analysis and best practices for mutual benefit.

Furthermore, it should be ensured that **congestion management processes** be kept compatible with high RES development. The Clean Energy Package proposes that capacity allocated are further maximised and that re-dispatch is used to do so. Not considering grid constraints when allocating capacity would endanger system security and increase costs for consumers, especially with higher RES penetration.

Last but not least, a power system with higher shares of RES requires **closer real-time cooperation at the vertical level (between TSO-DSO) to strengthen system security.** Projects re-defining the interfaces and roles and responsibilities between electricity transport and distribution in a world with highly decentralised (RES) generation should be supported and good practices spread across Europe. In addition, regulators should ensure that regulation promotes efficient TSO-DSO cooperation.

4) Regulatory stability that provides better planning and grid and RES investments

In order to give clear and stable guidance to the grid operators, RGI urges the Commission to complement its proposals by regarding investments in network reinforcements with the same high degree of importance as the investments in new generation.

Transmission networks are an essential part of the energy transition, the backbone for ensuring a secure, affordable and sustainable power system of the future with growing amounts of variable renewables. The International Energy Agency (IEA) has shown that the cost-effective integration of RES (large scale and distributed) and energy efficiency, depends on early integrated planning of generation *and* grids. To ensure this is done, such considerations should be part of the National Integrated Energy and Climate Plans that Member States are required to prepare under the “Governance Regulation”.

Efficient grid investments represent long-term assets that require stable regulatory frameworks and therefore low regulatory risks. The Commission’s proposals however increase regulatory risks in several areas including on how to treat congestion rents from interconnections. Keeping the possibility to reduce tariffs with congestion income is one important element for the public acceptance of new transmission projects. Denying this possibility could lead to higher acceptability risks and ultimately less investment.

RGI perceives this as highly critical because inadequate grid deployment is already today becoming an obstacle to the development of renewable energy and its integration in the power system. The trend of RES investments is negative across the EU and down by about 50% since 2011. Though this of course is a result of many causes, obstacles to swift sustainable grid development play a crucial role as well.

RGI therefore calls on the Commission, Member States and the European Parliament to ensure that this Clean Energy Package shall be backed by other initiatives enabling TSOs to make the appropriate investments and providing the long-term commitment which gives NGOs the confidence to publicly support these developments among citizens and interested stakeholders.

5) A sustainable and broadly supported energy transition through sound nature protection, transparent communication and stakeholder engagement

It is essential that **environmental considerations and related environmental protection policies remain of high value in Europe.** Environmental benefits and constraints must be factored into strategic spatial planning exercises to further the appropriate deployment of the grid infrastructure that is required for the energy transition. RGI members are convinced that electricity grids, and cross-border interconnectors in particular, must be developed in line with the objectives set in the Paris Agreement. It is vital that this development must also be aligned with nature conservation requirements.

RGI supports the use of strategic planning as a means to find the most environmentally acceptable options with regard to protected areas and ecological habitats. This reduces conflicts between municipalities, industry, NGOs and Authorities that endanger the energy transition as a whole – hampering equally grid development and the deployment of renewables. It is possible to deliver an energy transition which does not undermine nature conservation, however failing to plan strategically is likely to trigger major damaging delays to the progress made towards a completed Energy Union.

Acceptability is increasingly becoming a critical success factor to implement infrastructure projects that enable the energy transition. Enhanced information and stakeholder engagement at an early planning stage can reduce delays in the deployment of grid infrastructure. Committed project developers, regulatory recognition of early information stakeholder engagement, participation processes and local benefit creation are all needed to improve energy infrastructure planning and to help the implementation of best practice solutions on the ground.

The Commission should also provide guidance so that Member States support grid operators, for example by promoting national and regional communication campaigns explaining to citizens the current challenges of the energy transition and the related need for additional grid infrastructure. We see opportunity for amendment to the draft

regulation on the Governance of the Energy Union to capture this [2]. This would help by providing a context within which project communication and public participation at the project level takes place. In addition, RGI encourages public authorities - ranging from the European Commission to national, regional and local authorities in the Member States - to communicate actively what concrete consequences and opportunities the energy transition has in terms of new grid and generation infrastructure. Clear, coherent and regular communication is needed to understand the reasons and the stories behind the need for new infrastructure. A well-planned Europe-wide communication campaign should aim at reinforcing national and subnational communication efforts.

The Clean Energy Package provides the opportunity to enhance the regulatory framework beyond the existing legislation (e.g. the Security of Supply Directive) supporting the achievement of these goals. In this regard, the recovery of costs incurred to increase stakeholder acceptance by designing "better-accepted projects" in a dialogue with the affected areas (municipalities, regions…) seems crucial to support timely project implementation. This means that a regulatory framework, which ensures accepting costs for "better-accepted projects" needs to be established and we also see opportunity for amendment to the draft 'Electricity Regulation' to capture this. [3].

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[2] A proposal could be to add the following words highlighted in **bold and *italic*** in article 21 c) of the draft Regulation on the Governance of the Energy Union and in Part 1, Section A, 2.4.2.ii of its Annex 1 *"if applicable, main infrastructure projects envisaged other than Projects of Common Interest;* ***and the measures foreseen by the Member States, in particular as regards communication, to support the needed infrastructure projects and to promote their acceptance by the population****"*. Member States should be invited to mention efforts in communication into the National progress reports they will have to produce every two years to demonstrate their achievements towards the objectives of the five major dimensions of the Energy Union (as well as during the structured dialogue they will have with the EC on their achievement of the Energy Union objectives).

[3] A proposal could be to add the following words highlighted in **bold and *italic*** in article 16.2 of the draft electricity Regulation: *"Tariffs shall grant appropriate incentives to transmission and distribution system operators, over both the short and long term, to increase efficiencies, including energy efficiency, foster market integration and security of supply, ~~and~~ support investments the related research activities* ***and ensure recovery of costs for measures increasing stakeholder acceptance to support timely implementation."***

About RGI

The Renewables Grid Initiative is a unique collaboration of NGOs and TSOs from across Europe. We promote transparent, environmentally sensitive grid development to enable the further steady growth of renewable energy and the energy transition. RGI members originate from a variety of European countries, consisting of TSOs from Belgium (Elia), Croatia (HOPS), France (RTE), Germany (50Hertz, Amprion and TenneT), Ireland (EirGrid), Italy (Terna), the Netherlands (TenneT), Switzerland (Swissgrid) and Norway (Statnett), Spain (Red Eléctrica de España); and NGOs such as WWF International, BirdLife Europe, Germanwatch, Fundación Renovables, Legambiente, the Royal Society for the Protection of Birds (RSPB), Climate Action Network (CAN) Europe and Natuur&Milieu. RGI was launched in July 2009.