

DSO Entity's response to the call for evidence on the revision of the Regulation of the Governance of the Energy Union and Climate Action ((EU) 2018/1999)

Executive summary

DSO Entity, the legally mandated association (EU/2019/943) representing electricity Distribution System Operators (DSOs) across Europe provides its recommendations for the better consideration of DSOs needs in the revision of the Regulation of the Governance of the Energy Union and Climate Action ((EU) 2018/1999).

The recommendations stress the need for a **more effective assessment of Member States' progress in creating the enabling conditions for DSOs' planning and investment** aligned with NECP objectives. NECPs should more explicitly reflect the grid developments required. In particular, they should place greater emphasis on Member States' efforts to accelerate and anticipate the necessary expansion, modernisation and digitalisation of electricity infrastructure, ensuring readiness for increasing electrification while strengthening resilience through the integration of physical, cyber and climate considerations. Member States and NRAs should provide grid operators with the means, resources and legal certainty required to address grid development needs which will strengthen the basis for system operators' network development plans.

This includes:

- The early involvement of DSOs in NECP development. It is essential to assess and ensure the consistency of national targets with their local implementation and with DSOs' capability to develop the required networks. DSOs can provide inputs to scenario building based on their expertise, knowledge of local needs and territories, customer behavior and practical constraints, including supply chain and workforce availability.
- Regulatory frameworks that allow the timely approval and cost recovery of grid investments identified using an anticipatory investments approach in line with existing EU legislation
- Access to adequate and predictable financing, private and public, ensuring that NECPs are developed in line with TYNDPs and DNDPs documents to enhance regulatory and investor certainty
- Monitor Member States' progress in providing the right conditions and incentives for DSOs to plan and invest in line with DNDPs and as a result NECP objectives. Therefore, focus on enabling delivery rather than monitoring operator-level outcomes.

Full response

Strengthening EU Energy Governance to enable forward-looking distribution network investment

The Regulation of the Governance of the Energy Union and Climate Action ((EU) 2018/1999) is an important tool to monitor the progress of Member States regarding the development of European energy and Climate objectives. Given the relevance of DSOs for delivering the energy transition forward looking regulatory frameworks and conditions at the national level are crucial to deliver.

Considering the European Commission's ambition to strengthen the Governance Regulation by turning National Energy and Climate Plans (NECPs) into genuinely forward-looking investment plans, DSO Entity submits the following recommendations on how the revised framework can best support distribution networks and the energy transition more broadly. Distribution System Operators (DSOs) are central to the delivery of the European Union's climate and energy objectives, economic competitiveness and crisis resilience. By planning, building and operating electricity distribution networks, DSOs enable industrial activity, business development and household electrification.

At the same time, DSOs are operating in an increasingly complex and uncertain environment. Many of the challenges they face arise from factors beyond their direct control. Supply-chain constraints, shortages of skilled labour, permitting delays, public acceptance issues and the rapid expansion of decentralised renewable generation and electrification demand all shape investment timelines and delivery capacity. Further, regulatory frameworks at the national level are often still reactive and not aligned with the new system realities. Their focus on incentivising cost efficiency allows only to respond to the existing demand and lacks the possibility to plan more proactively and manage uncertainty. This results in cautious investment processes, impeding the long-term efficiency of the grid.

These constraints underline the need for a governance framework that strengthens planning coherence, regulatory predictability and long-term investment visibility.

Enhancing long-term investment planning and financing certainty

The ability of DSOs to plan and deliver distribution grid investments depends on the existence of predictable forward-looking regulatory frameworks and clear and credible signals about future demand. This includes visibility on electrification pathways, decentralisation trends and the timing of local and regional developments. While DSOs are responsible for implementing network solutions, many of the key drivers of grid expansion (e.g. permitting regimes, public acceptance, labour availability or the pace and location of electrification decisions...) are determined by policy choices and market dynamics beyond their direct control.

For this reason, the Governance Regulation should ensure that DSOs are involved early on in NECP development to assess and ensure the consistency of national targets with their local implementation and with DSOs' capability to develop the required networks. DSOs can provide input to scenario building based on their expertise, knowledge of local needs and territories, customer behavior and practical constraints, including supply chain and workforce availability. This should be done in close cooperation with DSOs. Stronger planning coherence is not a procedural detail, but a precondition for timely and cost-effective infrastructure development.

More credible and forward-looking NECPs would also improve regulatory and investor certainty, which matters in practice. Without clear signals on long-term needs and policy direction, investment decisions at distribution level will remain constrained. By contrast, NECPs that function as strategic investment frameworks can help unlock financing for distribution networks while supporting economic development, investment mobilisation and job creation. This evolution could be supported by:

- **Supporting investment predictability through NECPs**, aiming at improving transparency on long-term infrastructure needs and facilitating the mobilisation of adequate public and private financing, rather than at assessing operator performance.
- **Ensuring that NECPs include measures to mobilise private investment** and systematically involve financial institutions and investors in their preparation
- **Strengthening the link between NECPs and relevant EU funding instruments**, including the next Multiannual Financial Framework, to ensure complementarity between national and European funding opportunities and to better account for the investment needs at distribution level.

Aligning governance with system realities: enabling conditions over outcome metrics

If the Governance Regulation is to reflect the role of DSOs without creating undue pressure, it should focus on the conditions that enable delivery rather than on operator-level outcomes. Performance at distribution level is heavily influenced by structural factors such as permitting procedures, supply-chain availability and public acceptance. These factors are largely shaped by policy choices at Member State level.

Outcome-based indicators such as grid connection times or the speed of network reinforcement risk portraying systemic bottlenecks as operational shortcomings and may discourage anticipatory investment or innovation. By assessing these elements through qualitative and planning-based criteria, the Governance Regulation could strengthen accountability where key policy decisions are taken. At the same time, it would prevent turning DSOs into the focal point of compliance enforcement for challenges that affect the entire energy value chain and are out of their control.