DSO ENTITY
DSOs FOR EUROPE

# **Grids deliver value:** DSO Entity's reaction to the proposal on future-proofing electricity bills

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# **In a nutshell**: DSO Entity's priorities

DSO Entity welcomes the European Commission's (EC) proposal on future-proofing electricity bills and its core objectives of bringing down energy prices and accelerating digitalisation and electrification. Responding to the recent energy crisis, the proposal seeks to reduce the grid share of the bill - which accounts for roughly a quarter to a third of the household electricity bill - by incentivising system operators and users towards more efficient grid usage and development, including through digitalisation, and by introducing European harmonisation of tariff methodologies and Smart Grid Indicators (SGIs). It also includes new assignments for DSO Entity and ENTSO-E.

### Grids are more than one line on the electricity bill

As the EC's own Electrification Action Plan (COM(2026) 595) rightly acknowledges, electricity networks are a strategic enabler of Europe's clean energy transition and competitiveness, underpinning a more electrified economy while reinforcing prosperity and energy security. This links network regulation directly to today's geopolitical priorities: reducing external dependencies by connecting more home-grown renewables and building grid resilience against increasingly severe weather events and cyber and physical threats, so that households and industries continue to be reliably supplied. Delivering on this requires sufficient investment in the smartening, expansion and renewal of grids - and, for that, a regulatory framework that is genuinely oriented towards enabling investment.

### Common ground and gaps to close

DSO Entity supports the proposal's direction and several of its elements: the recognition of anticipatory investment as a legitimate cost, the ambition for guiding EU principles on cost-reflective tariff methodologies, and a voluntary framework for grid data exchange established by DSO Entity alongside ENTSO-E. At the same time, other elements raise concerns at this critical juncture of the energy transition. Above all because the proposal does not yet give system operators a secure basis to recover the investment that resilience, security and timely connections require, and because parts of it would shift decisions that belong with the national level to EU-level delegated and implementing acts. Attempts to introduce one-size-fits all solutions and approaches such as obligatory benchmarking based on EU recommendations risk neglecting national specificities and the diversity of DSOs with potential negative outcomes for the joint objective: guaranteeing a resilient and sustainable energy system while bringing energy prices down.

### DSO Entity's key messages:

- **Ensure investment-oriented regulation:** The right framework for efficient investments in grids should be provided to ensure a resilient system and timely connections and go beyond cost-efficiency only.
- **Keep cost-reflectivity and cost recovery as the core objectives of tariff methodology principles.** While guiding EU principles on cost-reflective tariff methodologies are supported (Art. 18), harmonisation via delegated acts (Art. 61(5a)) or any implementing acts is opposed as they do not leave sufficient flexibility for national specificities.
- **Ensure a proportionate benchmarking approach that fits a decentralised, diverse DSO landscape (one size does not fit all) (Art. 18(7)).** In this respect Smart Grid Indicators (SGIs) should not be conflated with efficiency KPIs (Art. 18(2a), Art. 18(7-8)).
- **Align the proposal with overarching EU principles** such as subsidiarity, regulatory flexibility, simplification, legal certainty and consistency.

> **Grid investment creates value now and lowers electricity commodity prices over time. Deferring it would only raise the cost later.**

## Ten key recommendations

**1. Need for an investment-oriented regulation: The right investment-framework for grids should be provided to ensure a resilient system and timely connections (beyond cost-efficiency only) (Art. 18).**

- Article 18's economic regulation provisions currently provide that NRAs recognise costs only if a cost-efficiency test is carried out, with no comparable basis to allow costs for grid resilience and security, timely connections, digitalisation or renewables integration. Yet the proposal itself repeatedly names these as priorities (recitals 4, 6, 8, 11, 24), and Article 18d exists because under-recognised anticipatory investment has produced connection queues across the EU. The mention of anticipatory investments is welcomed.
- **To close this gap:** DSO Entity recommends anchoring timely and anticipatory grid development, resilience and security as cost-allowance objectives in their own right alongside cost-efficiency in Article 18(1) and 18(2)(c), and reflecting the "appropriate return on investment" and "sufficient investment" language of recitals 8 and 11 into the binding cost-reflectivity criterion of Article 18(2)(a), so DSOs can be confident these investments will actually be allowed into their remuneration.

**2. Tariff methodology principles: Cost-reflectivity and cost recovery must remain the core objectives and while guiding EU principles are supported (Art. 18), harmonisation via delegated acts (Art. 61(5a) or any implementing acts is opposed.**

- The proposed principles for network charges, i.e. cost-reflectivity, non-discrimination and transparency (Article 18(1)), are supported, and several of Article 18(2)'s design criteria are aligned with this goal and welcomed by DSO Entity. The proposal nonetheless risks overloading tariffs with objectives they are not designed to carry, i.e. while tariffs can support efficiency and flexibility, their core function should remain cost recovery and stable investment signals, with other tools - market rules, flexibility products, flexible connection agreements - used alongside tariff design rather than as substitutes. Tariff methodologies should in the first place incentivise implicit flexibility, not explicit participation in flexibility markets, such as market-based mechanisms or contractual arrangements between system operators and network users.
- **To close this gap:** DSO Entity recommends retaining the well-aligned criteria (i.e. points (d), (e), (g), (h), (l)) and clarifying certain points so that tariff design does not encroach on functions better served by other regulatory instruments. DSO Entity further supports an EU-level framework for tariff methodology in the form of guiding principles under Article 18 but opposes further harmonisation via delegated acts under Article 61(5)(a) or implementing acts.

**3. Subsidiarity and regulatory flexibility: Key-principles in a more decentralised energy system (Art. 61(5a)).**

- Article 61(5a) empowers the Commission to adopt delegated acts on a common structure and harmonised methodology for tariffs under Article 18, and implementing acts on smart electricity grid indicators under Article 18a. DSO Entity sees value in a European framework that encourages convergence with guiding principles, but views a prescriptive delegated act critically: the necessity and scope of "tariff methodologies" are undefined against an already-detailed Article 18; it encroaches on Member States / NRA competence over tariff design; DSO tariff design varies too much across Member States for one harmonised methodology to be accommodated, especially for the heterogeneous distribution sector. Furthermore, such a legal act risks leading to legal uncertainty and potential competence litigation at a time when DSOs need fast, secure access to investment.

- **To close this gap:** DSO Entity recommends deleting the delegated act empowerment in Article 61(5a), ruling out any other route to greater harmonisation such as implementing acts, and keeping Article 18 as the governing framework, applied and specified nationally by NRAs.

### 4. Lack of legal certainty: Revenue regulation, tariff methodology and network charges should be distinguished (Art. 18, Art. 61(5a).

- Article 18(2), 18(5) and 61(5a) all use the term "tariff methodology" to mean three different things at different points: how much revenue the network operator is allowed to earn (revenue regulation), how the allowed revenue is allocated among network users (tariff methodology) and what each user actually pays (network charges). Because the proposal never separates these, Article 18(2)'s criteria blend revenue/remuneration questions with allocation questions, and it is unclear whether the Commission's delegated act power under Article 61(5a) is limited to allocation rules or also reaches revenue determination. This creates legal uncertainty over the EU/NRA competence split and a risk of disputes once delegated acts are adopted.
- **To close this gap:** DSO Entity recommends introducing a single, consistent definition distinguishing these three regulatory steps, and applying this definition across all three provisions and the whole proposal to avoid legal uncertainty.

### 5. From mandatory to proportionate: Benchmarking must fit a decentralised, diverse DSO landscape (one size does not fit all) (Art. 18(7)).

- Article 18(7) introduces mandatory efficiency benchmarking, requiring NRAs to compare DSO costs "insofar as there is more than one distribution system operator" and publish results every four years. This is problematic given the EU's decentralised regulatory framework and the diversity of DSOs: NRAs already have the competence to design incentive regulation, tariff methodologies and benchmarking under national law, calibrated to their own market structure, local conditions and regulatory periods, and a uniform EU procedural obligation risks duplicating or conflicting with these existing frameworks.
- **To close this gap:** Benchmarking - which can still be a useful tool to monitor progress and share best practices only when based on meaningful, comparable and well-designed indicators - should remain optional and national rather than EU-mandated. In any event, the assessment should only be undertaken when there is sufficient comparability and when it can clearly demonstrate the added value of such an exercise.

### 6. Smart Grid Indicators (SGIs): SGIs should not be conflated with efficiency KPIs and practicality and operational relevance should be ensured (Art. 18(2a), Art. 18(7-8)).

**Smart grid indicators (SGIs) should not be conflated with efficiency KPIs:**

- Article 18(2)(a) folds SGIs into the "performance indicators" used for cost-efficiency benchmarking and incentives for possible future revenue regulation under Article 18(7)/(8), even though the two serve entirely different purposes and follow separate processes. Cost-efficiency indicators test tariffs against the standard of an "efficient and structurally comparable system operator" and feed directly into revenue-setting, while SGIs are technology-adoption and observability metrics, and should jointly be developed by ACER, ENTSO-E and DSO Entity under Article 18a(2) on their own timeline and reporting cycle.
- **To close this gap:** DSO Entity therefore recommends deleting the SGI cross-reference from Article 18(2)(a), leaving cost-efficiency indicators as a self-contained regime under Article 18(2)(a), 18(7) and (8) and SGIs governed exclusively by Article 18a(2), with their intended role as a tool for dialogue and progress monitoring rather than benchmarking or revenue regulation.

**Practicality and operational relevance: SGIs should be kept anchored at national level, not layered with a parallel EU process:**

- Because SGIs are highly context-dependent DSO Entity sees national anchoring, where NRAs already monitor this under Article 59(1)(l), as the right level for this work. Article 18a(2), (3) and Article 61(5a) would instead build a parallel EU-level process on top with an ACER's recommendation, a mandatory TSO/DSO data-provision obligation, a triennial ACER's progress report, and Commission's implementing acts.
- **To close this gap:** DSO Entity recommends removing Article 61(5a) which empowers the EC to develop an implementing act on SGIs and reconsidering Article 18a(2)–(3) as a whole. To ensure efficiency, data should only be transferred from DSOs to NRAs, never directly to ACER.

## 7. Scope and process mismatch: Non-wire, smart and digital solutions belong under regulatory incentives (Art. 18a(1)).

- Article 18a(1) requires non-wire, smart and digital solutions to be "considered with priority" not only through regulatory incentives under Article 18, but also under network development plans (DNDPs) drawn up pursuant to Articles 32 and 51 of Directive (EU) 2019/944. Since "priority" is undefined, this risk of favouring non-wire solutions, even where a wire-based option would be more cost-efficient, is in tension with Article 18(2)(c). The link also appears inconsistent with the DNDPs themselves, i.e. their narrower legal scope, fixed five-to-ten-year investment horizon and consultation process are not designed to weigh this broad, fast-evolving category of solutions.
- **To close this gap:** DSO Entity recommends deleting the reference to Articles 32 and 51 in Article 18a(1). The network development plans' scope, process and horizon are not the right channel for these solutions, and Article 18's regulatory incentives already provide a more suitable one. Further, it should be clarified that any investment decision should remain guided by the principle of cost-efficiency.

## 8. New reporting obligations: Enhanced transparency should not come at the expense of efficiency (Art. 18 (5)(6), Art. 18a(2).

- Article 18(5 & 6) introduce extensive new transparency and publication obligations on tariff methodologies and revenue regulation, all to be published in a freely accessible, downloadable format. Article 18a(2) similarly requires TSOs and DSOs to supply NRAs and ACER with data for SGIs. The proposal acknowledges the resulting administrative burden but asserts, without supporting evidence, that the benefits outweigh the costs thereby risking a measure that works against the proposal's own goal of lowering network charges.
- **To close this gap:** DSO Entity recommends limiting the transparency and publication obligations in Article 18(5 & 6) and Article 18a(2) to information that is necessary, proportionate and demonstrably relevant to the regulatory objective pursued, and not already publicly available, especially in national reports under article 59(1) of Directive (EU) 2019/944, and consistently available across Member States. In general, any new reporting obligations should only be introduced on the basis of a genuine, evidenced cost-benefit case rather than an unsubstantiated assertion that benefits outweigh costs. To ensure efficiency, data should only be transferred from DSOs to NRAs, never directly to ACER.

## 9. Supporting grid data exchange: Build on existing governance (Art. 18a(4)), get the new framework right (Art. 18a(5)).

**Supporting grid data exchange: Legal basis and cost recovery gaps (Art. 18a(4)):**

- Article 18a(4) requires TSOs and DSOs to manage and exchange grid data "in a harmonised manner" and to do so in compliance with Chapter III of the Data Act. While supporting the benefits of efficient data exchanges between grid operators, it is important to stress that such data exchanges are already governed in detail by different Network Codes and Guidelines, which are further specified nationally to reflect the diversity that a harmonised framework would struggle to accommodate.
- **To close this gap:** The provision should be better aligned with the existing Network Code framework rather than introduced separately, clarifying the reference to the Data Act (i.e. only where electricity grids data are within the scope of Chapter III that chapter shall apply); and ensuring recovery of the costs that the new data sharing activities will generate.

**Supporting grid data exchange: A welcomed task – getting the process right (Art. 18a(5)):**

- Article 18a(5) tasks DSO Entity and ENTSO-E with setting up a voluntary secure electricity grid data exchange framework to support innovation in grid operation and optimisation, with the EC adopting implementing acts under Article 61(5b) covering much of the same ground. DSO Entity welcomes this new role alongside ENTSO-E, recognising that improved data exchange is essential for a more integrated, flexible and efficient energy system. At the same time, it cautions that the timeline is demanding and that coordination with other EU-level initiatives should be clarified.
- **To close this gap:** DSO Entity recommends that sufficient leeway and time be granted for the framework's preparation, that coordination with parallel EU workstreams be clarified to avoid duplication, and that the framework, opinion stage and the implementing acts be combined into a single streamlined process, or clearly delineated upfront.

## 10. Grid connection prioritisation: Duplication with national frameworks already under way should be avoided (Art. 18d).

- Article 18d that empowers regulatory authorities to prioritise connection requests during periods of scarce capacity overlaps with Member States' existing competence under Article 6 of Directive (EU) 2019/944. Since prioritisation decisions carry real political and distributional weight, and that several Member States are already legislating their own priority frameworks, this ambiguity risks creating legal uncertainty and undermining national processes already under way.
- **To close the gap:** While DSO Entity supports changes to the first-come-first-served principle and the introduction of prioritisation schemes, the detailed design of connection rules falls within Member States' competence under Article 6 of Directive (EU) 2019/944. Article 18d is therefore not deemed necessary and should be deleted. Yet, the real fix for connection queues remains an investment-oriented regulatory framework that enables anticipatory investments ahead of demand.