

# Position paper on the European Commission Proposal for Future-Proof Electricity Bills

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## Executive Summary

TransnetBW supports the European Commission's objective of ensuring affordable electricity for consumers while accelerating electrification and the energy transition. Well-designed network tariffs are an essential tool to achieve these goals. They not only recover network costs but also enable investments in grid infrastructure, support the integration of renewable energy, strengthen security of supply, and facilitate digitalization.

At the same time, Europe faces unprecedented grid investment needs. The regulatory framework must therefore strike the right balance between affordability and financeability. Future regulations should strengthen investment conditions, preserve national regulatory flexibility, and provide incentives that support wider societal and energy policy objectives beyond pure cost efficiency.

## 1. Benchmarking and the Role of ACER (Art. 18(17) and Art. 18 (a))

The proposal foresees a European efficiency benchmarking exercise for TSOs coordinated by ACER. While efficiency incentives are already an established component of the regulatory framework, a mandatory top-down benchmarking approach is unlikely to provide meaningful results given the significant differences in network characteristics, geography, regulatory systems and market conditions across Europe.

Past experience with benchmarking has shown significant limitations in terms of robustness, comparability and practical relevance. Differences in generation mix, network topology and historical grid development make meaningful comparisons between TSOs difficult. In addition, benchmarking focuses primarily on physical assets and often fails to adequately reflect key system outcomes such as security of supply, reliability and resilience. Moreover, if perceived inefficiencies identified through benchmarking were to result in reductions of allowed OPEX budgets, this could undermine regulatory predictability and negatively affect investors' confidence in the regulatory framework. In a sector that depends heavily on access to capital markets to finance the energy transition, maintaining a stable and investment-friendly regulatory environment is essential.

As a result, it can create distorted incentives while imposing considerable administrative burden. These shortcomings should not be replicated through further European harmonization of regulatory frameworks.

We call for:

- Deletion of the proposed mandatory European TSO benchmarking framework.
- No revenue-related consequences stemming from benchmarking results.
- Greater reliance on nationally developed performance frameworks and output-based incentive schemes.

- A stronger focus on the underlying drivers of rising network costs, including investment needs, supply chain constraints, lengthy permitting procedures, and additional public procurement requirements stemming from EU legislation (e.g. the Industrial Emissions Act (Industrial Accelerator Act)).
- Maintaining technology-neutral and non-binding Smart Grid Indicators that support innovation while ensuring that digital and grid technologies are assessed based on their proven technical reliability, system benefits and economic efficiency, in line with national regulatory frameworks and planning principles (Art. 18(a)).
- Limiting ACER's role to facilitating best-practice exchange and providing non-binding recommendations.

## Network Charges: Financing a Reliable and Future-Proof Electricity Grid



Electricity networks are a critical component of the energy system and require continuous investment in construction, operation, maintenance, and modernization. These activities are carried out by transmission system operators (TSOs) and distribution system operators (DSOs) and are financed through network charges, rather than general taxation. As electricity networks constitute natural monopolies, network charges cannot be determined through market competition. Instead, they are subject to regulatory oversight designed to promote cost efficiency, ensure a fair allocation of costs, and guarantee the reliable operation of the grid.

Network charges cover the costs associated with:

- the use, operation, maintenance, and expansion of network infrastructure, including power lines, substations, transformers, and other grid assets;
- the provision of essential system services, such as frequency and voltage control, system operation, and system restoration capabilities;
- the compensation of technical losses arising from electricity transmission and distribution.

A stable and well-designed network tariff framework is essential to ensure the financing of the infrastructure investments needed for the energy transition while maintaining security of supply and affordability for consumers.

## 2. Financeability of Grid Investments (Art 18 – general)

Delivering the energy transition requires substantial and timely investments in transmission and distribution infrastructure. Grid operators compete with other sectors for capital and therefore depend on stable, predictable and attractive remuneration frameworks. Without adequate investment incentives, the pace of grid expansion required to achieve Europe's decarbonization and competitiveness objectives will be at risk.

We call for:

- An explicit provision ensuring an adequate, risk-reflective and internationally competitive regulated return on equity (RoE).
- Regular assessment of the allowed RoE against current capital market conditions and relevant international benchmarks.
- Regulatory frameworks that support long-term investment signals and the financeability of network operators.
- Recognising investments in digitalisation and resilience as essential enablers of a secure, efficient and future-proof electricity system, with full cost recovery ensured through the regulatory framework.
- Preservation of National Regulatory Authority (NRA) competence to determine the appropriate methodology in line with national circumstances.

### 3. Performance Indicators (Art.18(2)(a))

While performance indicators seem, in theory, to be a useful regulatory tool, a one-size-fits-all European approach would fail to reflect the diverse network structures, topographical conditions, regulatory frameworks, and policy priorities across Member States. Regulatory flexibility and national discretion must therefore be preserved. A stable and predictable regulatory framework remains essential to attract the grid investments needed to deliver the energy transition.

We call for:

- Maintaining regulatory authorities' discretion to introduce performance indicators where appropriate.
- Removal of requirements for common EU-wide performance indicators.
- Greater reliance on output-based indicators that measure actual system outcomes and societal benefits.
- Ensuring indicators remain aligned with national energy and climate priorities.

### 4. Capacity-Based Network Tariffs (Art.18-general)

Capacity-based tariff elements remain the most suitable and cost-reflective mechanism for recovering network costs. Capacity-based network charges enhance planning reliability for network operators while enabling a more cost-reflective distribution of network costs among all network users.

Time-variable tariff components can provide useful behavioural incentives; they should complement rather than replace capacity-based tariff structures.

We call for:

- Explicit recognition of capacity-based network tariffs as the primary financing instrument for electricity networks. Dynamic network tariffs entail considerable implementation challenges, distributional effects, and potential risks to grid stability. Any decision on their introduction should therefore be based on a comprehensive assessment of costs, benefits, and system impacts.
- Clarification that time-of-use components remain optional incentive mechanisms rather than mandatory tariff elements.
- Preservation of flexibility for Member States to develop tariff structures reflecting national system characteristics.

### 5. Incentive Framework (Art.18 (2)(c))

Network tariffs and regulatory incentives are not solely instruments for cost recovery. They are key tools to support the transformation of the electricity system. A narrow focus on short-term cost efficiency risks overlooking broader objectives that are essential for a resilient and future-proof energy system.

We call for incentive frameworks that:

- Preserve incentives for efficient system use, including peak-load reduction, locational signals and other system-friendly behaviors.
- Promote security of supply, resilience and system stability and facilitate the integration of renewable energy and flexibility resources.

- Encourage innovation, digitalization and resilience improvements and ensure full cost recovery within the regulatory framework for related measures.
- Remain under the responsibility of national regulators, who are best positioned to reflect local circumstances and priorities.

## 6. State Funds (Art. 18(4))

Member States should retain the ability to use public funds to mitigate network charges and support the energy transition. Excessively restrictive limitations on public support mechanisms could undermine affordability objectives and create legal uncertainty for existing national measures.

We call for:

- Continued flexibility for Member States to partially finance network costs through public funds.
- Avoiding unnecessary restrictions limiting support to temporary measures only.
- Protection of existing and already approved support mechanisms.
- Preservation of national flexibility in designing consumer relief and competitiveness measures.

## 7. Delegated Acts and Binding Guidelines (Art.61(5a))

The proposal would empower the European Commission to introduce harmonized tariff structures and methodologies through delegated and implementing acts. Such measures risk undermining subsidiarity by transferring key regulatory decisions to the European level and reducing the ability of national regulators to tailor tariff structures to country-specific circumstances. Given the importance of regulatory certainty for long-term grid planning, connection commitments, IT implementation, and tariff communication, detailed requirements should be established early and remain stable over time. Commission delegated acts should therefore be confined to narrowly defined technical issues.

We call for:

- Deletion of the proposed Delegated Acts under Article 61(5a) and (5b).
- If deletion is not feasible, replace binding provisions with non-binding recommendations.
- Full respect for the subsidiarity principle and existing national competences.
- Continued responsibility of national regulatory authorities for tariff methodologies and network charge structures.

## 8. Welcomed Elements

The proposal contains many positive and constructive elements that we strongly support. While some points would benefit from further clarification and limited refinements, we particularly welcome the following measures:

- Faster and more efficient grid connections, including measures to discourage speculative applications and prioritise mature projects in line with network development planning.
- Fairer taxation of electricity, supporting electrification by reducing distortions between electricity and fossil-based energy sources.
- Cost-reflective and transparent network tariffs that promote efficient grid use and flexibility.

## 9. Conclusion

Europe's electricity grids are essential to electrification, decarbonization, security of supply and industrial competitiveness. To deliver these objectives, the regulatory framework must ensure both affordability and financeability, while preserving sufficient flexibility to reflect national circumstances. Given significant differences in generation mix, network topology and system needs across Member States, network tariff design should remain primarily a national competence.

While EU-level coordination can support common principles and the exchange of best practices, it must not constrain or delay necessary national reforms. TSOs are already delivering significant progress in digitalisation and resilience through measures such as dynamic line rating, enhanced protection of critical infrastructure, and advanced cyber defence capabilities. At the same time, the integration of renewable generation, storage, data centres and other emerging demand drivers is increasing system complexity and investment needs, underlining the importance of regulatory frameworks that are tailored to national circumstances and support efficient, forward-looking solutions.

Given the potentially far-reaching implications of further harmonization for network operators, consumers and investment signals, any legislative initiative should be preceded by a comprehensive impact assessment and a broad stakeholder consultation. A balanced approach is essential to ensure that the energy transition remains both economically sustainable and operationally achievable.

### Who we are

TransnetBW operates the electricity transmission grid for more than 11 million people in Baden-Württemberg, Germany. In doing so, we secure the electricity supply in the region and throughout Europe. Together with our project partners, TransnetBW works to expand the network beyond its control area, notably with the projects SuedLink and Utranet. As a member of ENTSO-E and the Copenhagen School of Energy Infrastructure, we actively participate in discussions and develop solutions in the field of European energy infrastructure. On our TransnetBW Policy and Regulation homepage you will find our current contact persons, position and concept papers.

For any questions related to this document please contact Natalie Stanzer-Weiß, Senior Specialist European Affairs ([n.stanzer-weiss@transnetbw.de](mailto:n.stanzer-weiss@transnetbw.de)), or Michael Mieszczanski, Brussels Representative ([m.mieszczanski@transnetbw.de](mailto:m.mieszczanski@transnetbw.de)).