

Brussels, 30 October 2012

DRAFT REGULATION ON GUIDELINES FOR TRANS-EUROPEAN ENERGY INFRASTRUCTURES (“TEN-E”): RECOMMENDATIONS FOR TRIALOGUE NEGOTIATIONS

EXECUTIVE SUMMARY

Orgalime as the European engineering industries association represents the European key enabling technology sector of any future European infrastructure and generally welcomes the Energy Infrastructure Package proposed by the Commission.

In combination with the draft Connecting Europe Facility Regulation (CEF), which we fully support, we see the draft Regulation on Guidelines for Trans-European Energy Infrastructure (TEN-E)¹ as representing a core element of Europe’s future infrastructure legislation.

For European technology providers, this new energy infrastructure legislation is vital as it determines fundamental parameters for future smart grids in Europe, their interoperability, flexibility and capacity to handle an increasing share of energy generated from renewable energy sources and an ever more decentralised production of energy in the context of an EU Energy Policy that should place the European consumer more and more at its core. The effect of the final TEN-E Regulation on the energy internal market could include the creation of a more stable legal framework for return on investment.

A consistent, ambitious framework is in our view required to stimulate urgently needed investment decisions as well as confidence of the market in such investments. **We call upon regulators to rapidly progress with the adoption of the draft TEN-E and CEF Regulations taking into account the following key priorities and suggestions of European engineering industries:**

To face at least parts of the challenges ahead, the suggested budget under the **draft CEF Regulation** needs to be maintained to its full extent.

Regarding the draft TEN-E regulation, European engineering industries need improvements with regards to using public procurement to support innovative technologies and the simplification of permit allocation. Safety, grid stability and system security provisions are essential, however, should not jeopardize the positive economic impact of innovative and technological solutions based on the progress of power electronics. The following elements of the draft regulation in our view still require agreement in order to be indeed designed to drive the urgently needed shift towards flexible, reliable, interoperable smart grids:

- **Harmonised criteria for selecting Projects of Common Interests (PCIs):** In order to fully exploit the potential of smart grids for European consumers, the scope of eligible projects needs to be extended to all levels of voltage, the threshold of 100.000 users needs to be decreased to the lowest level possible (ideally to 5000 users), and other than non dispatchable resources should be allowed. **We see these priorities best reflected in the draft report of the EP ITRE committee and therefore call upon regulators to support it in the further proceedings.**

¹COM (2011) 658 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0658:FIN:EN:PDF>

Orgalime, the European Engineering Industries Association, speaks for 37 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 22 European countries. The industry employs some 10.2 million people in the EU and in 2011 accounted for some €1,666 billion of annual output. The industry not only represents some 28% of the output of manufactured products but also a third of the manufactured exports of the European Union.

- **Permit granting process:** We share the Commission's view that the current permit granting process needs to be speeded up and eased without artificial technical barriers, therefore **we recommend supporting the Commission proposal in the further proceedings.**

In conclusion, Orgalime calls upon regulators to strive without delay for strong final TEN-E regulation taking into account these suggestions in order to provide Europe with the solid basis for meeting its future challenges: Setting up a flexible, reliable, interoperable, competitive and smart grid. European technologies are available and ready for use – now is the time to exploit them and bring their benefits to European citizens, its economy, wider society and environment.

We provide our substantiated views and suggestions hereafter:

DETAILED COMMENTS AND SUGGESTIONS ON THE DRAFT TEN-E REGULATION

Regarding the draft TEN-E Regulation, it is in our view essential to properly identify, define and harmonise the criteria for the selection of "Projects of Common Interest" (PCI's) and to speed up administrative permit procedures. Thus, our comments and recommendations **focus on articles 4, 9 and 11 and the Annex IV of the Commission's TEN-E proposal**, and in particular on shaping the conditions defining significant cross border impacts of a smart grid project to better exploit the benefits and potential of smart grids for Europe and its citizens.

In this respect, the following criteria proposed by the Commission require particular modification in our view:

1. The proposed threshold of 10 kV or more

The ITRE committee rightly suppressed the suggested threshold and used comprehensive approach with regards to equipment and installations of **any voltage level**. Our rationale is that smaller scale smart grid projects in the distribution grid should not be excluded as they are eligible to optimise benefits from smart grids and speed up their introduction. Therefore, it is necessary to design projects for equipment and installations at all levels, including the low voltage, as **most of the benefits can presently be achieved in low voltage networks, where the highest numbers of consumers and small power generation facilities connect**. The majority of consumers is in fact connected at low voltage level and in the end required to pay the bill. It will be difficult for the consumer to understand why Europe favours substantial investment in new assets for smart grid projects without identifying projects of visible benefit and real cost - benefits that are close to the consumer's electricity needs.

We highly appreciate the ITRE draft report which extends the scope of eligible projects to all levels of voltage, including low voltage.

Following the Commission proposal, smaller smart grid projects can be eligible under the TEN-Telecom draft regulation. While ICT is used to make the networks more intelligent, projects "down the last mile" are designed for the supply of energy to consumers.

Therefore, the selection of this type of project should be based on energy related criteria defined in the TEN-E regulation itself.

2. The minimum threshold of 100,000 users

The Commission's draft TEN-E regulation proposes a minimum threshold of 100,000 users to be covered by transmission and distribution operators involved in the project.

However, such a mandatory figure (100,000 users) is in our view too restrictive and will result in blocking many promising smart grid projects, most of which deal with small communities.

In our view, MEPs made a step in the right direction by lowering the threshold to 50,000 users. We recommend supporting this approach and ideally to further lower the minimum threshold of required users.

3. The proposed minimum threshold of 20% of electricity generated or consumed from non-dispatchable resources

The proposed minimum threshold of 20% of electricity generated or consumed from non dispatchable resources, such as solar or wind sources is a too high number under the circumstances of cross-border connections. While this figure supports the Union's policy objective to increase the share of renewable energy in the final energy consumption to 20% by 2020, the Union has to prepare its infrastructure for further decarbonisation of its energy system in the longer term towards 2050. Thus, the proposed minimum threshold may again result in restricting the scope of smart grid projects. The ITRE draft report opens the proposal to distributed resources, which is a step in the right direction.

However, we support further flexibility with regards to the proportion of electricity originated from non dispatchable resources, as this is the way to favour a step by step integration of renewable energies into the grid system. Smart Grid projects need in fact to solve the real local technical issues arising at low voltage level, providing solutions close to consumers in order to become a real success and to be accepted by citizens.

Taking into account the above mentioned amendments, Annex IV sub-paragraph e) should in our view read as follows:

*(e) for smart grids, the project is designed for equipment and installations at high-voltage and medium-voltage level designed for a voltage of 10kV or more **at any voltage level as defined by the applicable European standards**. It involves transmission and distribution system operators from at least two Member States, which cover at least **5,000 users** that generate or consume electricity or do both in a consumption area of at least **150 Gigawatthours/year**, of which at least 20% originate from non dispatchable resources / **or distributed resources.***

4. The proposed permit granting process of three years and of two phases

We warmly welcome the Commission's approach to accelerate the permit granting process for PCI's. Indeed, the "one-stop-shop" option provides an investment incentive and fosters a rapid production of required technologies. We believe that within six months of the entry into force of the regulation is a reasonable timeframe for a Member State to designate one national competent authority. Dividing the permit granting in only two phases provides project promoters with a clear vision of the implementation process.

We support the Commission's proposal of duration and implementation and ask regulators to finally adopt the Commission proposal in this area.

In conclusion, Orgalime calls upon regulators to strive without delay for strong final TEN-E regulation that is fit to provide Europe with the solid basis for meeting its future challenges: Setting up a flexible, reliable, interoperable, competitive and smart grid. European technologies are available and ready for use – now is the time to exploit them and bring their benefits to European citizens, its economy wider society and environment!