

## **ENTSO-E calls for supportive regulatory framework for RD&D by European TSOs**

The European energy policy targets for 2020 on efficiency, climate protection and renewable energy (“20-20-20 targets”), and the ambitious climate goals for the decades beyond 2020, have introduced new important challenges for grid operators. The European transmission grid and in particular smart grids are central to achieving these targets. A new transmission architecture and new balancing regimes are examples of topics which require further research, development and demonstration so that the strongly growing share of renewable energy sources in the generation mix can be securely integrated into the system. Recognizing this need, the third energy package explicitly tasks TSO’s with proposing the RD&D domains necessary for bringing innovation to their activities.

In the Lisbon Strategy, EC contemplates to spend 3% of EU’s GDP to RD&D. Today SO RD&D amounts to much less than that, despite complete regulatory, governmental and stakeholder agreement on the central role of innovation in the transmission systems. ENTSO-E calls for an increase in funding for TSO RD&D towards at least one third of the general EU target, i.e. to 1% of the annual TSO turnover.

ENTSO-E issued its position paper “A New Regulatory Framework for TSO R&D in ENTSO-E Countries” to underline the need for additional RD&D allowances in the regulated TSO budgets.

ENTSO-E organized a workshop on 14 June 2011 supported by the European Electricity Grids Initiative and the Commission. The workshop included a panel discussion on the regulatory framework for TSO RD&D with:

- EC DG Research & Innovation*
- ACER*
- Vattenfall Europe Distribution*
- Belgian ministry of Economy, DG Energy*
- Red Eléctrica de España*

The panel confirmed the need of TSO involvement in RD&D activities. The costs for such activities have to be covered mainly by tariffs. Additional European funding is useful to cover pan-European aspects.

### **Details of the panel discussion in the 14 June 2011 workshop:**

The speakers recognized that the ambitious climate targets of the European Union for 2020 and beyond require big efforts in innovation in the transmission grids. These efforts are mandatory to ensure secure and cost effective integration of low carbon generation technologies in the electrical system.

The role of TSOs in integrating new technologies in their networks was underlined. These technologies, including HVDC, storage, and demand side management among others, will enable long distance transmission of electricity, and balancing fluctuating generation with demand. TSOs have to adapt and develop their business processes to make optimal use of the new means.



Results of RD&D and smart grid investments have to be in the interest of the customer, and regulatory monitoring of RD&D results is essential. ACER sees a role for ENTSO-E to benchmark among TSOs and to facilitate TSO cooperation, avoiding duplication of work and enabling effective monitoring of results.

The audience stressed the need to have a clear market model for smart grid investments, enabling partners to make their business cases and take sound investment decisions.

Despite the general agreement that tariffs should be the main source of long term financing of RD&D by grid operators, grid operators' inquiries show that today, for most of the regulated companies, no or little contribution from tariffs to RD&D is foreseen. This can be explained by the fact that most of today's regulatory schemes have been conceived before the need for the tremendous transformation of the electricity system was identified. Lack of financial resources and present incentive schemes were identified as barriers for the timely implementation of the European Electricity Grid Initiative.

Panelists stressed that a fair distribution of the costs over all European customers is mandatory for a sustainable effort. Top-up funding by the EU was deemed useful to cover pan-European aspects. ACER stressed that the costs for RD&D have to be transparent and eventual gaps between costs and available resources have to be identified. It was underlined by the audience that the costs of RD&D in the transmission business will have only marginal impact on the consumers' electricity bills.