



8 October 2026

Future proofing electricity bills for grid investment and competitiveness

Executive summary

The Commission's proposal to future proofing electricity bills takes a welcome step by giving digital technologies a stronger role in grid. Digitalisation is central to solving Europe's grid challenge, but the potential of existing grid capacity remains untapped due to a lack of regulatory incentives. The EU already requires Member States to reward digital and physical grid investments equally¹ - yet only 32% have applied this rule.²

We strongly support provisions on smart grid indicators in the text. If well designed, they can genuinely drive progress on digitalisation across Member States.

We also welcome the proposal's broader direction, including its measures on grid connection, electricity taxation, and smart metering, which together signal the ambition to move towards a network capable of supporting Europe's competitiveness. Whether this ambition is realised, however, will depend on a number of important adjustments to the current text - several of which we consider non-negotiable if the proposal is to deliver on its own objectives.

On tariff design, several provisions introduce unnecessary rigidity into a system that needs room to adapt to Member States' differing circumstances. As currently drafted, these provisions risk undermining the very objectives the proposal claims to pursue and require significant revision.

With this in mind, we set out below our key recommendations to strengthen the proposal and ensure it delivers on its stated ambition:

Policy recommendations:

- ▶ **Keep network charges cost-reflective while enabling recovery of efficiently incurred investments, and incentivising the use of flexibility, digital and non-wire solutions.** Ensure safeguarding the cost-reflectivity principle by incentivising grid operators to innovate in case of insufficient meter coverage. Any special tariff treatment should be transparent, proportionate and based on real, measurable system effects.
- ▶ **Preserve national discretion within a common EU framework for funding, benchmarking and tariff-setting.** Allow Member States flexibility on funding duration

¹ Electricity Market Design Regulation (EU) 2024/1747, Art.18

² DIGITALEUROPE, *Advancing Europe's Grid Performance*, June 2026, available at [link](#)





rather than imposing arbitrary expiry dates. At the same time, ensure efficiency comparisons between grid operators account for genuine structural differences and protect distribution operator's commercially sensitive data.

- ▶▶ **Embrace outcome-based, grid performance indicators by unlocking grid capacity.** Measure distribution operator's digitalisation progress against each Member State's own starting point rather than absolute levels and extend implementation timelines to ensure the indicators drive real performance gains rather than penalising different starting positions.
- ▶▶ **Replace speculative connection queues with objective readiness criteria.** Prioritise projects based on maturity level instead of applying 'first-come, first-served' principle, while introducing regular queue reviews to flag stalled projects. Additional prioritisation criteria could be considered to support accelerated connections for projects that contribute to resolving congestion, combined with a readiness framework.





Table of contents

Executive summary 1

Table of contents 3

Network charges 4

 Cost reflectivity 4

 Public funding 5

 Efficiency comparison 5

 Tariff competence 5

Smart electricity grid indicators 6

Grid connection 7





Network charges

DIGITALEUROPE supports regulatory frameworks that enable recovery of efficiently incurred investments, i.e., including anticipatory investments.³ We also support frameworks that incentivise the use of flexibility services, battery storage and non-wire solutions and digital technologies where they deliver measurable system benefits, like unlocking grid capacity and accelerating the integration of new industrial and digital loads.

Below we recommend adjustments across four areas - cost reflectivity, public funding, efficiency comparison, and tariff competence. We believe these changes will help the new Art.18 under the Electricity Regulation⁴ fulfil its intended purpose of lowering system costs and supporting electrification, including through digitalisation.

Cost reflectivity

- ▶▶ **Capacity- and time-differentiated tariffs:** Capacity and time-differentiated tariffs mentioned in Art.18(2)(g) and Art.18(2)(h) depend on granular consumption data, allowing operators to accurately allocate costs. When there is insufficient meter coverage, grid operators should be incentivised to innovate, e.g., through pilot programs developed with market actors, safeguarding the cost-reflectivity principle in the proposal. For bidirectional assets like battery storage and electric vehicles, time-of-use energy charges should work the same in both directions (i.e., when charging from the grid and when discharging into the grid) and be cost-fair, charging users when the local grid is strained and paying users out when the local grid is eased. This will ensure that charges reflect actual grid use and do not penalise flexibility that helps reduce overall system costs.
- ▶▶ **Special tariff regimes:** Any special treatment for certain customers (like those mentioned in Art. 18(3)) must be justified by real, measurable effects on the system - not just because a customer belongs to a particular category. Such treatment must also be applied transparently and proportionately, in a way that rewards genuine efficiency and grid integration. As a general principle, network charges should remain cost-reflective, as highlighted in Art.18(1).
- ▶▶ **Total expenditure approach:**⁵ We strongly support the Commission's recognition of the role of non-wire, smart and digital solutions in grid efficiency. These help to unlock spare capacity, improve network reliability, and enable faster investment recovery at lower system cost. Tariff methodologies that equally reward operational expenditure (i.e., digital, software, flexibility, storage) and capital expenditure (i.e., traditional grid investments) with upfront, risk-free rules for operators, are key and sit alongside continued focus on grid reinforcement. EU rules already require them. Yet only 32% of Member States apply them.⁶ We believe their implementation should be explicitly acknowledged under Art.18(2). Remuneration models should also enable system-wide optimisation across generation, grids and demand-side flexibility, including anticipatory investments and digitalisation, to reduce curtailment and negative-price events.

³ Anticipatory investments are investments made ahead of confirmed demand, based on reasonable forecasts of future grid needs, so that capacity is in place before bottlenecks materialise.

⁴ (EU) 2024/1747

⁵ So-called ToTex approach

⁶ DIGITALEUROPE, *Advancing Europe's Grid Performance*, June 2026, available at [link](#)





Public funding

- ▶▶ **We recommend clarifying the temporal limit on state funding support under Art.18(4)(c).** Member States should retain flexibility to maintain funding for as long as the underlying needs and circumstances justify it, subject to appropriate review, rather than an arbitrary fixed expiry date. This is particularly important for existing EU funding instruments, such as the Modernisation Fund and Recovery and Resilience Facility co-financing, which help reduce network costs. Discontinuing such support solely due to a fixed time limit could increase electricity bills and undermine the proposal's affordability objective.

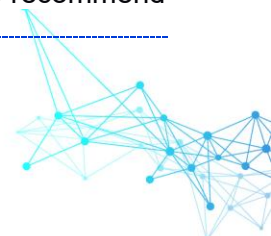
Efficiency comparison

- ▶▶ **Structural differences:** The efficiency comparison foreseen under Art.18(7) should explicitly acknowledge the existence of structural grid network differences, such as topology (i.e., the physical layout and configuration of the grid), density and asset age across, and sometimes within Member States.
- ▶▶ **Distribution system operators' (DSO) data protection:** DSOs data should be protected in efficiency comparison reports. Under Art.18(7), the proposal explicitly requires commercially sensitive data to be protected in transmission system operators' (TSO) efficiency comparisons but does not provide the same safeguard for DSO comparison. This protection should apply consistently to both. National regulatory authorities should also aggregate any commercially sensitive data if and where published. Finally, the proposal should build on existing reporting frameworks from ACER, CEER and national authorities to avoid duplicative data collection and unnecessary administrative burden for grid operators.

Tariff competence

- ▶▶ **National competences:** We support the Commission's goal of greater EU coordination on tariffs to facilitate the functioning of the electricity market. At the same time, this should leave room for national discretion on tariff structures where justified by genuine differences in network characteristics across Member States. We therefore recommend clarifying the new paragraph under Art.61(5) of the Electricity Regulation.⁷ The legal text should replace the existing wording of 'common structure and harmonised methodology' with new wording focused on a 'common tariff framework', which would allow national regulators to adapt tariff design to national circumstances.
- ▶▶ **Delegated powers:** For the same reasons as above, the scope of the Commission's delegated powers under Art.61(5) should be limited to general principles, transparency and consultation requirements, rather than detailed tariff structures, user categories, capacity, or time-of-use arrangements.
- ▶▶ **Binding taxation measures:** We strongly support the Commission's ambition to establish, for the first time, a Union-level principle to make electrification more attractive. However, implementation conditionality should be strengthened, as Art.18c(2) allows Member States to defer application based on 'specific national circumstances, including in view of the fiscal situation'. We recommend

⁷ (EU) 2019/943





replacing this open-ended derogation with strictly time-limited exemptions, subject to a credible national tax reform roadmap and mandatory reporting on the all-in electricity-to-gas price differential. This would ensure the principle delivers a measurable and accountable outcome, rather than creating a de facto permanent opt-out. The framework should provide for a phased, revenue-aware shift in taxation from electricity towards fossil fuels, rather than mandate unfunded tax cuts. It should also address the all-in price differential faced by industrial users, not only excise tax rates. Examples from several Member States already demonstrate the positive impact of rebalancing energy taxation in favour of electrification.⁸

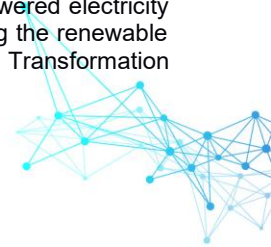
Smart electricity grid indicators

DIGITALEUROPE strongly welcomes the introduction of smart electricity grid indicators under Art.18a. What gets measured gets optimised: embracing outcome-based, grid performance indicators can help unlock important grid capacity.

To ensure the indicators fully result into real gains for grid performance and electrification, we recommend the following adjustments to the text:

- ▶▶ **Progress relative to national baselines:** The indicators under Art.18a, and ACER's related progress reports, should measure DSOs' digitalisation progress against each Member State's own starting baseline, rather than against absolute levels of digitalisation. This would better reflect the fact that each Member State starts from a different level of digitalisation, while still providing a robust and comparable overview of digitalisation efforts across Member States and supporting continued investment and improvement by DSOs everywhere. Effective monitoring of progress, supportive regulatory incentives and a harmonised approach can help support the continued uptake of smart grid solutions across Member States, while taking into account different national starting points and specificities.
- ▶▶ **Cost recovery:** The text should make clear that grid operators can recover, through tariffs, the costs of complying with the new data management, exchange, reporting and cybersecurity obligations set out under Art.18a, including the supply of data to ACER and national regulators for the smart electricity grid indicators.
- ▶▶ **Implementation timeline:** The 12-month deadline under Art.18a(5) for establishing coordinated data-sharing arrangements should be extended to allow sufficient time to put in place appropriate governance, IP and cybersecurity arrangements.
- ▶▶ **Alignment with national activities:** ACER's smart grid indicators must genuinely build on the substantial analytical work national regulators have already carried out, rather than duplicating or sidelining it. Recital 17 acknowledges this, and it should be treated as a key guiding principle.

⁸ The Netherlands introduced a budget-neutral shift by increasing natural-gas taxation while recycling revenues through lower electricity taxation ([here](#)), while Flanders has announced a €362 million annual shift from electricity levies to gas and heating oil from 2028 ([here](#)). Denmark is reducing electricity tax to the EU minimum in 2026-2027 ([here](#)). Germany has lowered electricity tax to the EU minimum for more than 600,000 manufacturing, agriculture and forestry companies, while lowering the renewable surcharge from electricity bills and shifted renewables support to the federal budget as part of the Climate and Transformation Fund ([here](#)).





DIGITALEUROPE has developed a set of possible high-level list of output, performance-based indicators, which we invite ACER to consider as it takes this work forward.⁹

- ▶▶ **No new requirement on distributed energy resources (DERs) without EU-harmonisation first:** DERs, such as rooftop solar, batteries and electric vehicle (EV) chargers, are increasingly connected to the grid. National regulators are exploring ways to give operators more visibility over how these resources interact with the grid or to help them develop their smart grid indicators. Any move towards mandatory DER observability or control requirements be preceded by a harmonised framework and compliance path at EU level. This is key to avoid fragmentation undermining the single market for grid technologies and services.

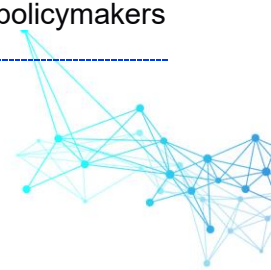
Grid connection

DIGITALEUROPE supports the new Art.18d, which gives regulators a stronger basis to tackle speculation in connection queues and to prioritise projects based on maturity, moving away from a strict 'first-come, first-served' approach. We also welcome Art.18d(2), which importantly enlists the role of non-wire, smart and digital solutions alongside other measures to address insufficient grid capacity.

Grid connection queues stretch up to 10 years in some Member States, stalling investment and blocking the rollout of clean and digital infrastructure. We recommend the following adjustments to strengthen the effectiveness of the grid connection provisions:

- ▶▶ **Objective readiness criteria:** Art.18d(1) helpfully introduces "maturity and progress" as a prioritisation criterion. The provision should specify further what counts as objective indicators of readiness. We recommend explicitly referencing the presence of planning permissions, progress in environmental assessment procedures, financing milestones, and construction start dates. In case of grid congestion, additional prioritisation criteria linked to strategic goals could be considered to support accelerated connections for projects that contribute to resolving congestion, provided that these criteria are specific, targeted to specific projects rather than sectors, and combined with rather than replace a readiness framework.
- ▶▶ **Regular queue review:** The text should introduce more specific language on the need to regularly review connection queues and remove speculative projects. Repeatedly deferred timelines and a lack of demonstrable progress should serve as red flag signals.
- ▶▶ **EU-wide definition of flexibility:** this legal proposal offers the opportunity to introduce a broad and inclusive definition of flexibility at EU level covering demand-side flexibility, on-site or off-site assets and grid-support services, with clear technical characteristics and greater harmonisation across Member States. Grid flexibility schemes should remain voluntary, market-based and appropriately compensated. Participation in flexibility schemes must never become a precondition for grid connection, and firm connection options should remain available for grid customers. Flexible connection agreements, and priority or tariff benefits linked to demonstrated flexibility, should be available as attractive voluntary options that reward system value. We also encourage policymakers

⁹ DIGITALEUROPE, *Advancing Europe's Grid Performance*, June 2026, available at [link](#)





to explore streamlined mechanisms to test and pilot demand response, storage and digital grid-optimisation tools, combined with case-by-case collaboration with system operators to incentivise them to procure flexibility as measured with smart grids indicators and rewarded through Totex-based regulation.

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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory and investment environment that enables European digitalising businesses across multiple sectors and citizens to prosper from digital technologies. We wish for Europe to grow, attract and sustain the world's best digital talents, investment and technology companies. Together with our members, we shape industry positions on all relevant policy matters, and contribute to their development and implementation. Our membership represents over 56,000 businesses who operate and invest in Europe. It includes corporations and scaleups who are global leaders in their field of activity, as well as national trade associations from across more than 30 European countries.

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EU Transparency Register: 64270747023-20

