Consultation response: European Grids Package, call for evidence

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Introduction

Electricity grids, recently referred to in a European Parliament report as "the backbone of the EU energy system"[1] are a crucial resource for enabling the renewable energy transition away from fossil fuels. Energy communities, as market actors, rely on the grid for their activities, but can also provide benefits to the grid via increased local consumption and flexible demand response. As the 'gold standard' of a benefit-sharing framework that is vital to ensure public support for the transition, energy communities require grid access to maximise the benefits they bring to the system and society.

Following on from the publication of the EU Action Plan for Grids in 2023,[2] the upcoming Grids Package is an important opportunity to evaluate the regulatory framework for this public good. How we plan, develop and invest in our grids has a huge influence on our ability to quickly reach climate goals, and spread the costs fairly across society. Furthermore, it plays a crucial role in ensuring energy deliveries across borders in times of crisis. In the context of the Action Plan for Affordable Energy[3], the EU has committed to bringing down energy prices for citizens and protecting vulnerable customers. We must consider the place of social economy actors in the energy sector and the vital role they are already playing in ensuring an enhanced grid system of the future.

Renewable energy communities, often functioning as co-operatives, face structural hurdles to accessing grid connections when compared to commercial market actors. This is due to their inherent social and environmental objectives over profit, their democratic citizen-led governance structures, and the local focus of their initiatives. As we will explore in this call for evidence, this leaves them regularly at a disadvantage compared to traditional market actors.

[1] https://www.europarl.europa.eu/doceo/document/TA-10-2025-0136_EN.pdf
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A757%3AFIN&qid=1701167355682
[3] https://energy.ec.europa.eu/publications/action-plan-affordable-energy-unlocking-true-value-our-energy-union-secure-affordable-efficient-and_en

Energy communities can be a key driver in enabling a greater uptake of a decentralised, resilient, and people-centred energy transition. They promote citizen engagement and increase public acceptance via local ownership of renewable energy production and energy efficiency measures. They also engage in energy sharing and flexible demand response services (see examples below under Recommendation 3), which are just some of the ways that they contribute to a fairer and more efficient use of the electricity grid in Europe.

We need a properly implemented framework at EU level to facilitate and encourage a level-playing field for energy communities. There should be ringfenced reservation of grid capacity for energy communities, transparent and participatory planning procedures, and the removal of administrative and financial barriers. Importantly, new technology also allows us to make better use of existing grid infrastructure, by integrating more distributed energy resources and flexibility that benefits the system and citizens. This can reduce the need for costly expansion of grid infrastructure. A Grids Package that facilitates energy communities will allow more citizens across Europe to benefit from locally owned and produced renewable energy, increasing social acceptance, and thus scaling up the EU's energy transition in both urban and rural areas.

Summary of recommendations

1) Reserve grid connection capacity for energy communities, in order to support them by considering their specific purpose, structure, and governance.
2) Encourage transparent and participatory grid planning processes that involve energy communities and citizen engagement, and increase the capacity of DSOs.
3) Promote the participation of energy communities in grid-friendly activities such as flexible demand response.

Recommendation 1) Ringfencing grid connection capacity for energy communities

Promoting local ownership of production and supply of renewable energy has many advantages for people and the planet, as recognised by the European Commission.[4] We know from studies in France and Germany that such community-owned projects maintain 2-8 times the economic value in their local area compared to privately developed ones.[5] They also increase public acceptance and buy-in for the installation of renewable infrastructure, such as wind turbines, which is crucial for accelerating the transition to renewable energy sources. If citizens are not properly consulted on, engaged in, and benefitting from these types of installations in their area, we risk hampering trust in the broader energy transition.

The specific nature of energy communities (their structure, democratic governance styles, and smaller size and resources) means that it is harder for them to gain access to grid connections compared to traditional market actors. In the context of huge congestion and bottlenecks in grid queues, it is important to consider how to facilitate energy communities' access to the grid in order to maximise the above-mentioned benefits.

Most Member States do not have measures to ease the ability for renewable energy communities to obtain a grid connection, however several methods are being explored.[6] Member States and system operators should ringfence a certain amount of grid capacity for local energy community production installations, to ensure there is available space for citizen-led renewables. In addition, system

[4] https://energy.ec.europa.eu/topics/markets-and-consumers/energy-consumers-and-prosumers/energy-communities_en

[5] Research in France and Germany shows that locally controlled and financed renewable projects deliver 2 to 8 times more return to the local economy than projects built by external developers: Les retombées économiques locales des projets citoyens d'énergie renouvelable | Énergie Partagée and RWS_Wind_CDW.pdf

[6] Energy Communities Repository, Barriers and Drivers Report, pages 57-59, https://circabc.europa.eu/ui/group/8f5f9424-a7ef-4dbf-b914-1af1d12ff5d2/library/22055ff9-1f49-41f8-a321-cbf20ca3d316/details

operators could create special application procedures for the priority grid access reserved for local communities.

Member States should also be required to ensure that costs of a grid connection for energy community projects, particularly to engage in energy sharing, are proportional to the level of the grid that is used, and that they can be paid back in a realistic way that reflects the financing model of energy communities.

Caution is needed to ensure that reserved grid capacity for energy communities is not abused by other market actors leading to corporate capture, or that reserved amounts are not spread too thinly across different projects.[7]

- In Italy, there is a virtual over-saturation problem of grid connection requests, with space taken up by speculative, or "zombie", projects that can be repeatedly updated for years with no time limit. This prevents energy communities and smaller projects from getting access to the grid; they are competing with very large plans that may never be realised. This problem is not unique to Italy.
- In Ireland community energy projects face constraints such as the cost, long timeframes, and paperwork associated with getting connection agreements above a micro-scale.
- In Finland, however, connecting smaller customers at DSO level is generally done smoothly. Projects under 1MW of power are connected automatically, usually within 6 months.
- In Croatia, energy communities are lacking clear procedures, economic parameters, and functioning digital systems that could support energy sharing and speed up grid connections for energy communities. As a result, officially recognised energy communities are unable to share energy, and are at risk of closure.

[7] Energy Communities Repository, Barriers and Drivers Report, https://circabc.europa.eu/ui/group/8f5f9424-a7ef-4dbf-b914-1af1d12ff5d2/library/22055ff9-1f49-41f8-a321-cbf20ca3d316/details

- An example of a hurdle that overburdens energy communities can be found in France, where a new rule stipulates that each producer developing a PV plant over 100 kWp must provide a €10,000 guarantee at the beginning of the connection request. This is a prohibitively high fee for many energy communities that lack the same upfront financial resources as traditional market actors.

Recommendation 2) Transparent, participatory planning, and capacity-building

Working together to enable a decentralised energy system

It is predicted that between now and 2030, 70% of the new renewable energy capacity will be connected to the distribution grid. Clearly, the future is headed for a decentralised, flexible system. We need greater resources for the distribution system operators to invest in operational capacity to integrate more distributed energy resources, as well as for permitting authorities to tackle permitting queues. More highly trained staff are needed in both of these bodies to begin seriously tackling the long wait times in current permitting application procedures without taking shortcuts. Transparent, time-bound permitting procedures are especially important for community energy projects that include vulnerable households. Such households need extra certainty that the time and (on occasion) money that they invest will manifest in a project that will be implemented.

Moreover, many DSOs are not properly planning for the rollout of distributed energy resources, or considering the ambition of their citizens to take part in the energy transition. We need more transparent planning procedures that reflect on and project the potential for future energy community projects, and that also

make data on hosting capacity available.[8] This would provide transparency for energy communities around potential for developing projects in certain areas.

In addition to extra capacity building for DSOs and permitting authorities, Member States should be required to ensure that assistance is provided to energy community projects, such as technical expertise and assistance, when they are applying for a grid connection. Lack of transparency and clear procedures make it very difficult for citizen-led projects to obtain these connections.[9] Energy communities should also be able to access information and register projects through a single contact point that is separated from other larger commercial market actors. Lithuania has established dedicated One-Stop-Shop procedures to help prosumers and energy communities navigate the permitting process.

Communication channels between energy communities and DSOs/TSOs should be fostered. We already have some good examples of cooperation between DSOs and energy communities, and these dialogues should be encouraged and replicated to garner mutual understanding. Clear national level enabling frameworks for energy communities will also help DSOs to better understand their needs and functions as social economy market actors.

- In France, one of our members has a cooperation agreement with the national DSO. They engage in information meetings which help energy communities have better knowledge about connection rules, and has also enabled them to experiment with a smart-grid project.
- In Czechia, the DSO and TSO supported energy communities to begin energy sharing via the Energy Data Centre (EDC), which is responsible for calculating shared energy. However, this collaboration could be strengthened to further enable these activities, for instance by discussing

[8] See Transparent Grids for All report from RAP https://www.raponline.org/toolkit/transparent-grids-for-all/ and Smarter Grid, Safer Future by Frank Bold www.gridforfuture.eu

[9] See the European Commission's recommendation on permitting, regarding community participation https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401343

how to bring about more efficient allocation keys, or regarding the assessment of impacts of local electricity sharing on the grid.

- In Croatia, however, despite energy communities demonstrating openness and willingness to collaborate, the DSO shows limited engagement and a tendency to delay rather than support implementation. The necessary technical and administrative changes that would allow activities such as energy sharing to take place, are slow to arrive.

Recommendation 3) Enabling more flexible use of existing grid infrastructure

Energy communities' potential for participation in flexible demand response

Investments into the expansion and modernisation of the EU's electricity grids will be necessary and costly, both in terms of time and money. In this context, maximising the efficient and 'smart' use of the existing infrastructure should be prioritised, in ways that allow for the integration of more renewables at distribution level without the same investment needed in grid expansion. Decentralised renewables generation such as collective production and energy sharing should therefore be promoted, paying particular attention to energy sharing activities by energy communities.

Much is to be gained by making greater use of the potential of demand side flexibility. Local self-balancing should be rewarded in order to encourage investment in storage and flexibility, which will also help to stabilise the grid and limit congestion. Here, the support of local system operators is crucial. There is potential for energy communities to act as the intermediary between their members and aggregators, or as aggregators themselves in providing flexibility

services to the grid, which can in turn act as revenue streams for the citizen-led initiatives.

Local flexibility markets are still being developed in many Member States. While this is a barrier common to all actors, energy communities may face specific hurdles such as minimum bid thresholds for participating in balancing markets that are out of reach for smaller aggregated loads, among others.[10]

- Recently in Italy, three pilot projects on local flexibility proposed by DSOs have been approved by the national regulator with the purpose of testing the market and related rules on remuneration. Experience to date has shown that to ensure the participation of end consumers, as requested in the EMD, and of smaller Balancing Service Providers, it is necessary that: low enough entry bid thresholds are guaranteed (for aggregated capacity and for individual resources); non-discriminatory mechanisms and procedures are adopted; distortion of service prices between competing technologies is avoided.
- In Greece, several energy communities (members of REScoop.eu) are taking part in the Horizon program DR-RISE, which is developing a software platform for community-led flexibility. Through the instalment of smart meters and smart devices for up to 130 households across the country, the pilot will test to what extent the aggregation of loads by energy communities can meaningfully contribute to local flexibility.

[10] Energy Communities Repository, Barriers and Drivers report, pages 88-90 https://circabc.europa.eu/ui/group/8f5f9424-a7ef-4dbf-b914-1af1d12ff5d2/library/22055ff9-1f49-41f8-a321-cbf20ca3d316/details