

Efficient network tariffs: a must for the energy transition

Europe's electricity networks need upgrading to achieve the Green Deals' net zero ambition. Cost-reflective time-of-use network tariffs can play a key role.

BRUSSELS, BELGIUM, October 19, 2021 /EINPresswire.com/ -- Europe's electricity networks need upgrading to achieve the Green Deals' net zero ambition. The traditional approach of reinforcing and expanding the grid has drawbacks, especially regarding cost-efficiency. Eurelectric's [latest report](#)

highlights that cost-reflective time-of-use network tariffs can coexist effectively with flexibility markets and can incentivise a sustainable and efficient use of the electricity system.



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Kristian Ruby, Secretary General - Eurelectric

By 2030, around 500 GW of additional renewable capacity will be installed, while 45 million electric heat pumps and somewhere between 50-70 million EVs are expected to replace the fossil-fuelled alternatives. Electricity grids are key assets to enable a cost-effective decarbonisation with electrification at its core, facilitating the integration of decentralised and variable renewables, and to serving millions the uptake of electric alternatives in transport, buildings, and industries.

Kristian Ruby, Secretary General of Eurelectric said: “The recent price crisis has shown us that the clean energy transition must accelerate. For this, the backbone of our

electricity systems, the networks, must be prepared to accommodate massive additions of renewables, millions of EVs and heat pumps, and different consumer behaviours. But network tariffs must also adapt to better reflect and guide the future utilisation of the grid.”

Grid modernisation requires investments of approximately € 400 bn by the end of the decade.

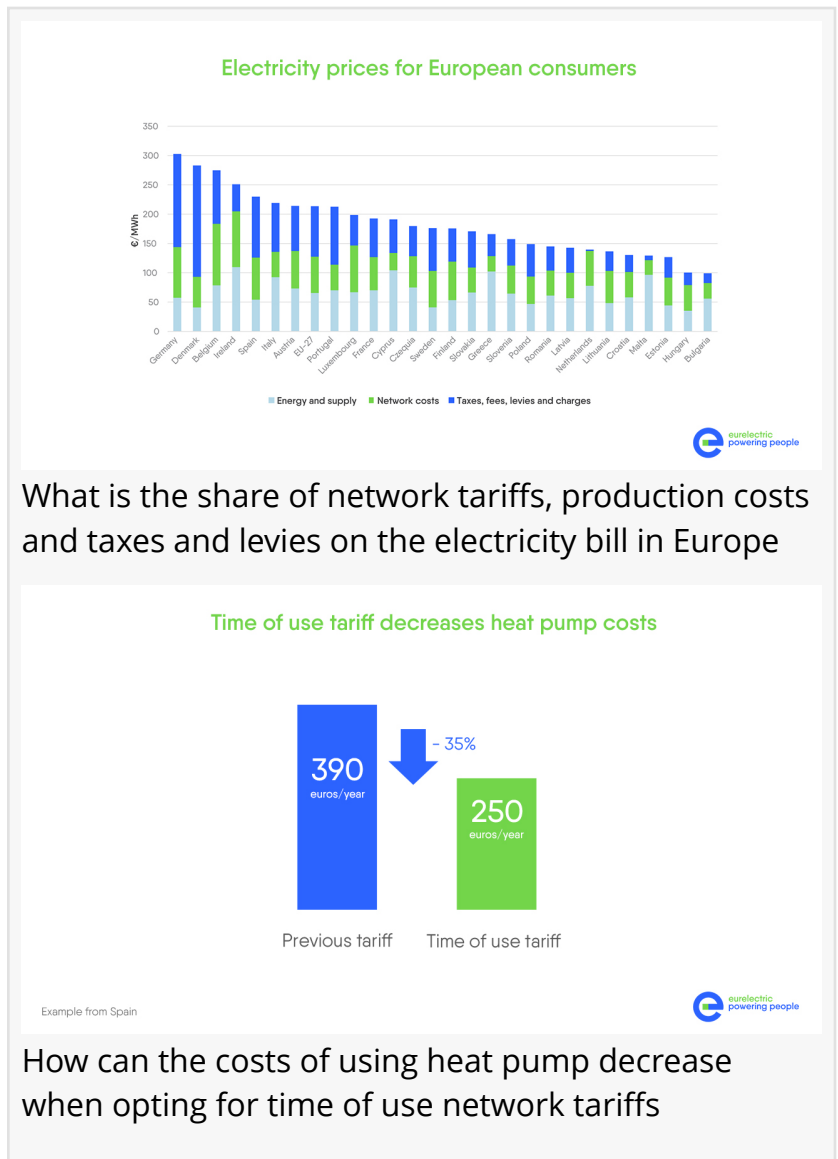
While the replacement of aging infrastructure is the biggest investment driver, electrification, digitalisation, and resilience needs also play a key role. By pairing investments in physical infrastructure with digital solutions, the electricity system will gain in flexibility. This will enable grid operators to better manage the network, retailers to diversify their offers, and consumers to efficiently use the network by adapting their consumption to tariff variations. Such flexibility is essential to support the integration of variable wind and solar resources into the power system, spur investments in distributed generation and involve consumers in the energy transition.

A network tariff design that is adjusted to the energy transition provides a cleaner and faster way to manage the grid, by optimising use patterns and investment needs. Pricing the grid services in a cost-reflective way will be critical to optimise the value of the grid for the benefit of network customers and ensuring sufficient revenues for grid owners, especially as the boundaries between generators and consumers are being blurred by the emergence of self-generation.

Eurelectric's report released today explores multiple options for structuring the network tariffs – flat, volume or capacity driven, static, or dynamic time-of-use, assessing their capacity to provide economic signals to drive electrification and an efficient use of network services.

Static time-of-use tariffs improve cost-reflectiveness and provide better price signals than other network tariff options. First, they could reduce grid losses, reinforcement needs and congestion costs, while deferring investment costs. Second, they promote innovation in retail markets and demand response. Finally, they facilitate electrification and are a promising cost-reflective solution for pricing new energy uses, like EV chargers, electric heat pumps with storage or electrolysers.

Electricity pricing that varies by time of use is an important component of the transition to net-zero. It can prompt consumers to change they way they use energy, by offering lower prices in



What is the share of network tariffs, production costs and taxes and levies on the electricity bill in Europe

How can the costs of using heat pump decrease when opting for time of use network tariffs

hours when supply is plentiful, or demand is generally lower. Importantly, stakeholders must be consulted on changes to tariff design and changes must be duly communicated to ensure all actors, including distribution system operators and customers, can reap the benefits.

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Note to editors:

The report is launched during a public [live streamed](#) event on 19 October 2021 - at 10.30 CET.

About Eurelectric

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