

Berlin, 01 July 2026

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Position Paper

EU Commission draft proposals on electricity network charges and smart grids

BDEW's preliminary comments and requests

The German Association of Energy and Water Industries (BDEW), Berlin, represents over 1,900 companies. The range of members stretches from local and communal through regional and up to national and international businesses. It represents around 90 percent of the electricity production, over 60 percent of local and district heating supply, 90 percent of natural gas, over 90 percent of energy grid as well as 80 percent of drinking water extraction as well as around a third of wastewater disposal in Germany.

BDEW is registered in the German lobby register for the representation of interests vis-à-vis the German Bundestag and the Federal Government, as well as in the EU transparency register for the representation of interests vis-à-vis the EU institutions. When representing interests, it follows the recognised Code of Conduct pursuant to the first sentence of Section 5(3), of the German Lobby Register Act, the Code of Conduct attached to the Register of Interest Representatives (europa.eu) as well as the internal BDEW Compliance Guidelines to ensure its activities are professional and transparent at all times. National register entry: R000888. European register entry: 20457441380-38

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1 General comments

The following position paper refers to a draft of the upcoming regulation to future-proof electricity bills in the European Union amending Regulation (EU) 2019/943 on the internal market for electricity (EU electricity market regulation). The planned amendment of Article 18 establishes a very comprehensive regulatory framework covering structural elements of network charges, special network charges, transparency, smart grids, data exchange as well as energy taxation.

First, the proposed EU-wide requirements for the deployment of smart meters would introduce considerable uncertainty and risk throwing off course Germany's rollout. After a sluggish beginning, the latter has finally gained substantial momentum in recent years. Therefore, EU-wide mandatory smart meter rollout quotas must not be introduced and the proposed Article 18b should be withdrawn. Not considering the current focus on national targets and cost-benefit analyses would be highly counterproductive. Germany has taken a unique approach that focuses on key use cases – particularly the ability not only to measure, but to control systems remotely, as well as very demanding technical and safety requirements. Hence, the German approach is not comparable to those of other European countries.

In Germany, the roles of distribution system operators and metering point operators respectively are separated, and the system also features non-regulated metering point operators. Instead of rigid quotas, the costs of the rollout and the affordability for customers are key metrics for an efficient rollout on national level. To avoid jeopardizing public acceptance, customers without significant energy consumption or other flexibility should be able to choose whether to have a smart meter installed. That is why the rollout regime should continue to be regulated entirely at the national level.

Second, the design of network charges too should remain the responsibility of national regulators. They are best placed to assess the respective grid structures and local market conditions. Electricity grids across the EU differ greatly in terms of structure, level of digitisation, user groups (generators, consumers, storage facilities, etc.) and investment needs. Against this background, EU-wide harmonisation of network charges is viewed critically by BDEW.

Third, the reform of the abovementioned regulation should also strictly limit EU delegated and implementing acts, particularly in view of heterogeneous grid situations in EU member states and the necessary regulatory certainty for grid operators.

It remains unclear in the recast of Article 18 and the new Article 18a, whether the proposal concerns solely the transposition of established revenue caps into the network charges system, or whether the European legal framework is to be extended to the determination of

revenue caps. The latter would entail a major interference in the national regulatory framework and must therefore be rejected.

Lastly, implementing such new requirements on network charges will only be possible with several years' lead time for national regulatory authorities. Moreover, comprehensive network charges reforms are already underway in some EU Member States, including in Germany („AgNes“-process). Any additional regulatory uncertainty for market participants that could arise from further short-term adjustments to the network charge system shall therefore be avoided.

BDEW's main requests

1. Deployment of smart meters (Article 18b)

- **Withdraw the proposed Article 18b** and avoid EU-wide mandatory rollout quotas in favour of national cost-benefit-based approaches.

2. Structure of network charges (Article 18)

- **Avoid too wide-ranging EU harmonisation.** Ensure technology neutrality and methodological flexibility in tariff design.
- Explicitly recognise **capacity-based network charges** as the primary cost-recovery mechanism.
- Clarify that time-variable components for network charges should complement, not replace, capacity charges. Static or seasonal time-slot charges should be a first step towards dynamic pricing. Avoid mandatory high-resolution dynamic pricing.
- Ensure alignment with NECPs to ensure that the transformation of the energy system moves forward through network charges which reflect strategic transformation goals.

3. EU delegated and implementing acts

- EU delegated and implementing acts should be **limited to clearly defined technical issues**. They should not result in a substantive shift of key issues regarding network charges to the Commission, due to divergent national grid structures and market conditions.

2 Detailed comments

2.1 Deployment of smart meters (Article 18b)

Uniform rollout requirements are counterproductive

Article 18b introduces, for the first time, EU-wide minimum requirements for the rollout of smart meters. The draft article should be removed in its entirety.

Smart meter rollout requirements of 50 per cent by 2030 and 65 per cent by 2033 across all metering points significantly exceed the current requirements in Germany and are not appropriate at this stage. As of 31 December 2025, there are approximately 56.5 million metering locations in Germany, of which approximately 4.7 million are subject to mandatory installation, according to the German NRA. With a rollout rate of 65 per cent by 2033, this would mean that approximately 37 million (5.3 million per year) smart meters would have to be installed by 2033. This cannot be achieved with the currently available capacities of metering operators in Germany. It is essential to bear in mind that the German standard for smart metering systems is significantly more complex than in many other Member States, but offers considerably greater data security as well as the possibility to safely control systems remotely. Cybersecurity is more important than ever, especially given the growing threat of hybrid attacks on the energy network.

The proposed requirements furthermore cast aside the existing focus on national cost-benefit assessments. Such analyses will essentially remain relevant only for rollouts exceeding a basic threshold set by EU law. This significantly reduces Member States' necessary scope for manoeuvre in the area of smart metering. Based on a cost-benefit-analysis, the current German rollout plan was codified into law to focus on installations relevant to the energy transition. This approach was subsequently reaffirmed in 2023 and 2024.

Rather than generally extending the installation requirements, the primary focus should be on further scaling up current installations among customer groups with the highest potential for flexibility, and on improving the quality of meter readings for already installed metering devices. The rollout of smart meters should initially prioritise 'active customers' or those who are of particular relevance to the overall system. This includes operators of renewable energy or systems with adjustable consumption and final customers with higher consumption (currently from 6,000 kWh/year in Germany). For these groups, an installation rate of 50 per cent by 2030 or 65 per cent by 2033 (or even higher) is appropriate and is already enshrined in German law. The proposed quota across all final customers contradicts this targeted approach.

Smaller consumers and small generation facilities should initially be deliberately deferred in order to promote installations that serve the system. These can be equipped later or on a

voluntary basis, once the penetration of smart meters among systemically relevant cases has reached a sufficiently high level. Until then, these ‘small’ customer installations will be equipped with modern metering devices, which in Germany already form the basis for remote reading, control and data on the status of the grid. For customers in Germany, data security and data protection are of high importance. Hence, it is to be expected that the proposed quotas affecting the majority of private customers will reduce the overall public acceptance of smart meters. In Germany, customers, grid operators and suppliers can also request the installation of a smart meter if they require one.

The EU Commission correctly assumes that smart meters make a significant contribution to digitisation and the further development of smart grids. However, there is a wide variety of smart meter devices in European countries, offering different functionalities and levels of security. Since there is no uniform definition of a “smart meter” across the EU, one should refrain from establishing uniform quotas. As underlined beforehand, Germany has chosen a particularly ambitious path. BDEW is convinced that this choice will pay off. Once successfully completed, the smart meter infrastructure in Germany will provide the foundation for a future-proof energy system.

The key factors for a successful smart meter rollout are affordability for consumers and a stable regulatory framework that ensures predictability and reliability for market participants. The current situation in Germany is the result of a long process which only starts to pay off. Hence, EU-wide rollout requirements that do not take into account the existing regulatory framework at national level risk derailing Germany’s smart meter rollout through regulatory uncertainty.

› **Request:** Refrain from introducing the proposed Article 18b.

2.2 System of network charges (Article 18)

➤ **Recognise capacity charges as a possible core element**

The proposed amendment to Article 18 of the Regulation (EU) 2019/943 should explicitly clarify that a capacity-based network charge for end-users is possible on a national level as the primary cost-recovery instrument. Otherwise, there is a risk that national regulatory authorities (NRAs) will interpret time-variable components as the sole benchmark and that capacity-based approaches will not be classified as compliant with the regulatory framework.

- › **Request:** Article 18 must explicitly state that time-variable price components complement, rather than replace, the financing function provided by capacity-based network charges.

Proposed wording: “Member States shall ensure that network charges include a capacity-based component as the primary cost-recovery mechanism, complemented by time-variable components as incentive instruments.”

➤ **Time-variable components: technology neutrality and methodological flexibility**

The envisaged reform of Article 18 puts a strong emphasis on dynamic or time-variable components of network charges without adequately addressing the fact that such signals do not automatically resolve structural bottlenecks relevant to grid planning. In addition, it only partially addresses the problem of limited connection capacity in dense or metropolitan areas. The German NRA (Bundesnetzagentur, BNetzA) has recognised the complexity of dynamic network charges. Its focus is now on a financing function, rather than on responding to time-critical load signals for network customers. Highly dynamic network charges do not achieve the intended effect of incentivising and, due to their complexity, rather tend to drive up costs.

The Regulation should explicitly distinguish between static time-window network charges (year-ahead, differentiated monthly) and high-resolution day-ahead charges. The former can realistically be implemented from 2029 onwards and are predictable for grid customers. The latter require infrastructure, market communication processes and IT systems that will not be available on the European market, particularly among distribution system operators (DSOs), until the mid-2030s. Past experiences from introducing „Redispatch 2.0“ in Germany show that implementation periods of two years are insufficient for complex system adjustments. A requirement for high-resolution dynamic network charges without sufficient lead time jeopardises system stability.

- › **Request:** The Regulation should explicitly provide for a two-step approach:
 - (1) static or seasonal time-slot network charges as a first step,
 - (2) high-resolution dynamic pricing as an optional next step, once cost-benefit analyses are available.

➤ **Lack of focus on actual congestion and capacity shortages**

The draft reform proposal requires capacity and time components but says little about how these are to be integrated with actual connection shortages and the long-term allocation of secured network capacity. Contractually secured and actually utilised capacities are relevant

for planning; orders that change annually are of limited help for reallocation and expansion planning. Pure dynamisation or frequently changing order volumes do not automatically create added value for long-term connection and expansion planning.

In the case of Flexible Connection Agreements (FCAs), feed-in FCAs (management of feed-in times) and off-take FCAs (management of capacity reserves) must be clearly defined and legally separated. FCAs enable a short-term connection of additional customers on the demand side in the event of grid shortages but are not an alternative to grid expansion.

➤ **Feed-in tariffs and grandfathering**

The approach set out in the draft of Article 18 and which involves feed-in operators sharing costs through a systematic inclusion in the network charges system should be rejected. Such an extension of network charges to feed-in would, particularly if introduced into existing market and investment conditions, interfere with the functioning of already established market mechanisms.

It is also important to include explicit provisions regarding transitional arrangements and grandfathering to ensure that existing assets are not jeopardised.

➤ **Maintain different network charges across voltage levels**

Instead of merging voltage levels, it should be possible to differentiate network charges between voltage levels for transmission and distribution networks. It is appropriate and cost-reflective for grid users to proportionally bear a share of the costs, depending on the voltage levels to which they are connected.

➤ **Principle of non-discrimination: clarification required**

The prohibition on network charges that hinder storage, aggregation, energy communities and self-generation is to be welcomed. However, it must not be interpreted insofar as that these user groups are exempt from financing grid infrastructure overall. The reason is that storage facilities, prosumers and energy communities also incur network costs through the provision of capacity, regardless of their mode of operation.

- › **Request:** Clarification that the principle of non-discrimination does not imply being exempted from cost-reflective network charges.

Proposed wording: *“without prejudice to cost-reflective contributions to network financing”*

➤ **Special network charges**

The proposed draft of Article 18 allows special network charges only under the premise of strict cost-reflectivity. This is, in principle, important. However, such a requirement severely limits the flexibility for national or regional solutions – such as industrial electrification, urban load management or specific connection configurations. But it is precisely such tailored solutions that may be necessary for a successful energy transition, for instance in contributing to reduce system costs. This applies, for example, to large-scale heat pumps, power-to-heat systems, thermal storage, hybrid heating systems and high-efficiency combined heat and power (CHP) systems. They can provide flexibility and, above all, predictable ('reliable') power 'in both directions'.

At the same time, any strict requirement for cost-reflectivity must ensure that special network charges are tied to demonstrable physical network benefits rather than to wholesale market price signals. Discounts derived from spot market prices do not accurately represent actual congestion in the grid and may lead to counterproductive regional effects.

➤ **Alignment with NECPs**

In its current version, Article 18(2f) of the Regulation stipulates that the regulatory framework on network charges must contribute to achieving the targets set out in the integrated national energy and climate plans (NECPs), reduce environmental impacts and promote public acceptance. This requirement is no longer included in the planned revision. This is particularly relevant for Germany, where the national regulatory authority is currently considering a specific regime for electrolyzers as part of the future framework on network charges. Removing Article 18(2f) would significantly weaken the legal basis for such targeted arrangements, especially where they are justified by their contribution to the hydrogen ramp-up, decarbonisation and the integration of renewable electricity. The requirement in the current Article 18(2f) should therefore be retained.

➤ **State subsidies**

The wording of Article 18(4) is general in nature and presumably also covers simple state subsidies for network charges, as in Germany. However, the relevant recital 5 of the draft regulation could potentially also be interpreted insofar as that state subsidies must be linked to specific investments and not structured as a flat-rate subsidy in the future. It should therefore be clarified that flat-rate state subsidies for network charges continue to be possible.

➤ **Excessive transparency and benchmarking obligations**

The new publication requirements and the ACER efficiency comparisons lead to a considerable amount of bureaucracy and an overall need for justification. Europe-wide benchmarking does not adequately reflect differences in topology, urbanisation, load structure, connection density and investment conditions.

- › **Request:** Disclosure, reporting and benchmarking obligations should be reduced to the necessary minimum.

➤ **Insufficient practical applicability of the requirements for smart grids and data exchange**

Given the great heterogeneity of European distribution system operators, the development of smart grid indicators should not take place at European level. For the distribution system sector, this should be done at national level, taking into account technological conditions, as is already planned in Germany. Any data collection beyond this should be avoided as a matter of urgency.

Articles 18a and 61(5b) create far-reaching data and innovation obligations. The planned regulations increase the financial and administrative burden on network operators with regard to interfaces, liability issues, cybersecurity requirements and lifecycle management. They leave the financing and organisational implementation unresolved.

- › **Request:** Abandon of smart grid indicators at European level.

2.3 Implementing Acts as a source of uncertainty for investment and planning (Article 61 (5a, b))

The new paragraphs 5a and 5b in Article 61 shift the balance of powers in favour of the Commission. Until now, guidelines have primarily touched upon the operational coordination of transmission system operators. According to the draft, the Commission will be able to specify network charges structures, consultation requirements, smart-grid indicators and data-usage rules by means of an implementing act.

This means that key substantive issues relating to the network charges and data regime can be standardised in subsequent legislative acts. This increases the regulatory complexity and shifts part of decision-making process from national legislative and regulatory procedures to the European level.

Enabling the Commission to introduce subsequent implementing acts is an additional source of regulatory uncertainty. Stable and predictable rules that are communicated at an early stage are particularly important for long-term network planning, connection commitments, IT processes and communication on network charges. Detailed additional requirements introduced at a later stage may impair such a long-term planning and investment strategies.

- › **Request:** EU implementing acts should be limited to clearly defined technical issues and should not result in a substantive shift of regulatory competencies on network charges to the EU Commission.

2.4 Energy taxation (Article 18c)

The timeframe for implementing the changes to the taxation of electricity and gas should be specified in more detail, possibly with a specific deadline for Member States. Like the requirements on network charges, the new taxation rules are expected to apply from the date of entry into force of the legal act. However, it remains unclear when a reduction would need to be implemented at national level. Summarising the results of its stakeholder consultations and impact assessments, the Commission merely states that the changes can be made as part of the regular national legislative process (cf. p. 11 of the leak). This leaves national legislators considerable leeway regarding the timing for implementation, whilst simultaneously increasing uncertainty for consumers. This runs counter the objectives of rapid relief on electricity costs for end consumers, namely industry and households, and swift electrification across various industry sectors.

- › **Request:** Set an implementation deadline for adjusting taxes on electricity and gas.