

THE POWER BRIEF

Your briefing on the energy transition.

Grids Package proposal for ring-fencing congestion income

FINANCING EUROPE'S GRIDS: CONSOLIDATE, DON'T COMPLICATE

Europe needs more grid capacity, faster. The EU Commission's Grids Package is meant to support this goal. But the proposed new rules on the use of congestion income risk adding complexity to a system that should already channel money into grids.

Existing framework ensures effective congestion income use

When does congestion income arise? Congestion income arises when electricity wants to flow across borders but the grid is physically full. Since not all electricity can pass, the limited cross-border capacity is allocated via transparent market mechanisms. If electricity prices differ between the two sides of the border, this price difference generates so-called congestion income.

For what is congestion income already used today? The use of congestion income is already defined in the **Electricity Market Regulation**¹. First, it supports operational measures aimed at ensuring that cross-border transmission capacity remains available and that interconnection capacity can be maintained or increased. In addition, congestion income contributes to the **financing of grid investments** or for compensating **offshore renewable electricity generation plant** operators in an offshore bidding zone. Where these objectives are previously met, congestion income can be then used to reduce network tariffs. These priority uses are binding, monitored by national regulators and transparently reported. Congestion income therefore already follows a clear logic that links revenues to system needs and consumer protection.

A regulated framework, not a free pot of money

Hence, congestion income is not a general infrastructure fund. TSOs must document how revenues are used and submit this information to regulators. In Germany, the report of the national regulatory authority spells out the existing EU priority order: congestion income must be prioritized for (a) guaranteeing the actual availability of allocated capacity (including firmness compensation), and (b) maintaining or increasing cross-zonal capacities (including covering costs resulting from relevant grid investments). Only once these priority objectives are fulfilled may revenues be considered for relieving network tariffs; residual revenues are placed on a separate internal account line until they can be utilized for the priority purposes.

What the Grids Package proposes

The European Commission proposes to introduce an additional requirement in Article 19 of the revised TEN-E Regulation. Under this proposal, 25 % of congestion income that is not used for specific operational purposes would be transferred into a fund for Projects of Common or Mutual Interest. While the objective to strengthen grid development is fully supported, this proposal raises several concerns. **The proposed TEN-E provisions duplicate an**

¹ Art. 19 (EU) 2019/943

already well-defined regulatory framework. Rather than adding another layer of rules, policy efforts should focus on ensuring effective and consistent application of existing legislation.

How congestion income is already used in practice

According to the German regulator *Bundesnetzagentur*, the aggregated congestion income collected by the four German TSOs (50Hertz, Amprion, Tennet and TransnetBW) in 2025 amounted to around **€ 1,4 billion**. The report shows how it was used following the EU priority logic.

Use of congestion income under existing EU priorities in Germany 2025 ²	Sum
Ensuring availability / firmness (priority a)	€815,37 m
Maintaining/increasing cross-zonal capacity & relevant investments (priority b)	€705,81 m
Considered in tariff calculation (only after priorities)	-
Placed in a separate internal account line ³	€-158,84 m

² Bundesnetzagentur, 2025, [Revenues from cross-border congestion Germany](#).

³ To finance the priority measures, €158,84 million were drawn from congestion income accumulated in previous years.

For example, TransnetBW's PCI-projects [SuedLink](#) and [Ultrahnet](#) were supported with around €81,25 million and €57,79 million of congestion income in 2025. This shows that the current policy framework already channels congestion income into capacity availability and grid investment, under binding priorities and regulatory oversight.

Why ring-fencing risks weakening a working system

- / **First, the rules already exist.** The use of congestion income is already comprehensively regulated under the Electricity Market Regulation. Introducing additional rules in parallel legislation would merely duplicate existing provisions, add complexity and risk fragmenting the framework, making it harder to understand and slower to apply – without improving outcomes.
- / **Second, financing matters.** Congestion income plays an important role in grid financing and liquidity management at a time of unprecedented investment needs. Additional earmarking and pooling requirements reduce financial flexibility and may increase financing risks – counteracting the objective of accelerating grid deployment.
- / **Third, parking money does not build grids.** Setting congestion income aside for an undefined period is inefficient and risky, as these revenues do not earn interest. Delayed use therefore reduces their effective contribution to financing grid investments and limits their value for system development. This risks prolonging the build-out of the much-needed grids.
- / **Finally, labels matter less than impact.** Under today's rules, congestion income can already be used for grid investments that reduce cross-border bottlenecks – regardless of administrative project categories. Replacing this functional logic with rigid earmarking risks weakening what is already regulated, and has proven to work in practice.

Focus on applying existing rules to accelerate grid delivery

Europe needs stronger grids and more cross-border trade, but **faster delivery will not come from rewriting congestion-income rules**. The existing framework already aligns congestion income with Europe's infrastructure objectives, and a new Article 19 would only add complexity, bureaucracy and uncertainty. EU action should therefore focus on applying existing rules effectively and addressing the real bottlenecks to grid delivery: permitting, implementation capacity and financing conditions.

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