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Legal Update

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European Union: Grids Package

Legal analysis of a system in acceleration and transition

Brief critical analysis of the EU Grids Package: shift to EU-level planning, faster permitting, updated TYNDP/PCI governance, cost allocation, efficiency, risks.

In brief

The European Commission's proposed EU Grids Package marks a significant evolution of the legal and governance framework for EU-related energy infrastructure. It combines accelerated permitting rules, revised Trans-European Networks for Energy (TEN-E) processes (including 10-Year Network Development Plan (TYNDP), Projects of Common Interest (PCI) and Purchasing Managers' Index (PMI)), enhanced cost-allocation mechanisms, and measures to improve grid efficiency and security. Central to the reform is a shift toward stronger EU-level coordination of grid infrastructure planning, with the Commission and Agency for the Cooperation of Energy Regulators (ACER) assuming a more prominent role in scenario setting and needs assessment. While many elements respond to long-standing bottlenecks in grid development and enjoy broad support, the Package also raises important implementation questions, notably around institutional capacity, timing, and the risk that increased centralization and longer planning cycles could affect responsiveness and project delivery.

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Introduction

This contribution examines the European Commission's ("**Commission**") recently proposed European Grids Package ("**Package**") through a legal lens. This reform comes against the backdrop of an immense infrastructure challenge: according to the Commission, the EU will need roughly EUR 1.2 trillion in grid investment by 2040 to keep pace with electrification, the integration of renewables and system resilience needs. The Package represents the culmination of several years of efforts to reinforce the EU's existing regulatory framework for energy networks. Building on the 2023 Grid Action Plan – which introduced measures to address operational and investment challenges faced by grid operators and developers – the proposal contains three draft legislative acts and two Commission guidance documents.

Specifically, the Package comprises the following:

- A recast of the TEN-E Regulation, the EU's central framework for cross-border energy networks
- A comprehensive revision of the TEN-E Annexes
- A directive amending core energy legislation to accelerate permitting for electricity and hydrogen grids, renewable generation, energy storage and Electric Vehicle (EV) charging
- Commission guidance documents on efficient grid connections and two-way contracts for difference

Taken together, according to the Commission, these measures seek to enable a more coordinated approach to grid planning at the EU level, reduce cost-sharing uncertainty for cross-border projects, reinforce the strategic status of essential grid infrastructure projects (so-called Projects of Common (cross-border within the EU) and Mutual (with third country) Interest), significantly accelerate permitting procedures and improve the functioning of grid-connection rules.

On a practical level, the Commission considers that the Package is designed both to maximize the performance of Europe's existing grid infrastructure and to accelerate the deployment of new electricity, hydrogen and CO_2 networks – built faster and in the locations where the integrated energy system actually needs them.

Before turning to the elements of the Package that received widespread support during the preparatory public consultation,[1] this contribution first addresses what is arguably its most consequential development: a marked shift of regulatory and planning authority to the EU level.

Increased coordination at the EU level

Context: TYNDP, PCI/PMI and Connecting Europe Facility (CEF)-funding

A core component of the TEN-E Regulation is the TYNDP: a pan-European 10-year outlook for the development of electricity and natural gas, hydrogen and smart grid infrastructure.

Currently, it is prepared every two years by the European Networks of Transmission System Operators (ENTSO) – ENTSO-E for electricity and ENTSOG for gas.[2] The TYNDP identifies future system needs, including capacity bottlenecks, cross-border requirements, flexibility needs and scenarios for energy integration and decarbonization. The TYNDP lists all electricity, gas, hydrogen and storage infrastructure projects submitted by promoters and deemed eligible for assessment, each evaluated against the joint ENTSO-E/ENTSOG scenario framework to determine their contribution to Europe's future system needs.

From a project developer's perspective, the TYNDP's most important function is that it forms the eligibility gateway for PCI (cross-border intra-EU) and PMI (cross-border EU-third country) status. A project must appear on the latest available TYNDP to apply for PCI/PMI status, and only projects on the PCI/PMI "Union list" may receive grants under the CEF related to grid infrastructure.[3]

Under the current Multiannual Financial Framework (MFF), EUR 5.838 billion is allocated to energy objectives under the CEF. For the next MFF period (2028–2034), the Commission has proposed a significantly increased budget of EUR 29.912 billion for energy-related measures. This is subject to ongoing negotiations between the Council and the European Parliament.

Inclusion in the TYNDP and, especially, formal PCI/PMI status also offers political recognition, indicating the project's strategic importance for EU policy objectives, and supports permitting acceleration (including strict deadlines, digital requirements and a presumption of overriding public interest), improved access to other funding opportunities,[4] all of which improve legal certainty and bankability.

The move toward an EU-led "central scenario"

At the core of the TYNDP and PCI/PMI processes are the so-called joint scenarios. The joint scenarios concentrate on the structural factors that shape how Europe's energy networks will be used in the future – such as evolving demand patterns, supply dynamics, technology deployment and the shifting balance between electricity and gaseous energy carriers. They are built to mirror the prevailing EU policy direction and to map a credible pathway toward the EU's energy and climate objectives.

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[1] In line with the Commission's Better Regulation guidelines, the Commission conducted an online public consultation on the "Have Your Say" portal between 13 May and 5 August 2025. The consultation generated 197 responses, complemented by two additional submissions received via the dedicated functional mailbox. General statements about level of support in this contribution refer to the outcome of the public consultation regarding this Package.

[2] For hydrogen, this will be the recently created European Network of Network Operators for Hydrogen (ENNOH).

[3] However, apart from grid infrastructure, the CEF also provides funding for cross-border projects in the field of renewable energy (so-called CB RES status) regarding the energy generation part of these projects.

[4] Other funding opportunities include, for example, the Global Gateway initiative, which pools financing from the EU, its member states, and their development and financial institutions – including the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) – alongside private-sector capital. Another relevant instrument is the European Fund for Sustainable Development Plus (EFSD+), an EU-backed guarantee facility that covers a broad range of risks (including non-sovereign, political, currency/transfer, commercial and credit risks) through accredited development finance institutions such as the EIB, EBRD and Kreditanstalt für Wiederaufbau. In addition, EFSD+ enables strategic blending of grants, loans, equity, beneficiary contributions and other instruments to mobilise further financing for priority development and infrastructure projects.

Notably, they become the backbone of the TYNDP, the infrastructure needs identification report, project cost-benefit analyses and cross-border cost allocations (CBCA).

The Package would substantially reshape the scenario development process through a shift from a primarily ENTSO-driven, bottom-up approach to a central, Commission-led approach, and would be named the "central scenario." At present, ENTSO-E and ENTSOG develop scenarios based on EU and member state data. Under the new proposal, the Commission takes over this process, and in doing so may require data and information with a binding deadline from ENTSO-E, ENTSOG, ENNOH and member states, and will instruct the Agency for the Cooperation of Energy Regulators (ACER) to verify this data. It must organize the public consultations, submit the draft scenario to the TEN-E Group[5] and ultimately adopt the central scenario via delegated acts.

Infrastructure needs identification

Under the existing TEN-E, considering the joint scenarios, ENTSO-E and ENNOH must establish an infrastructure needs report that determines the electricity and hydrogen infrastructure gaps relevant to the EU's objectives based on a binding ACER methodology.

Under the proposed new approach, within six months of adoption of the central scenario, ENTSO-E and ENNOH must then submit a draft infrastructure needs identification report, applying the central scenario. ACER has two months to assess whether submitted TYNDP projects match the identified needs, after which the TEN-E Group may comment within one month. ENTSO-E and ENNOH then have two months to revise the report, and the Commission ultimately seeks endorsement from the TEN-E Group, followed by publication of the final report by ENTSO-E/ENNOH.

In short, the Commission and ACER will exercise far greater control over scenario development, identification of needs and the PCI/PMI pipeline – while Transmission System Operators (TSOs) shift to a more executing rather than designing role.

Gap filling

In addition, the Commission proposes that it would be able to intervene when the TYNDP does not include in its infrastructure needs identification report adequate projects to meet the identified EU-level infrastructure needs based on its central scenario. In these cases, it can initiate a process to generate additional project proposals. First, it works with ENTSO-E, member states and ACER to invite system operators to submit suitable projects within six months. These proposals are then discussed in the relevant Regional Groups, with additional stakeholders involved as needed. If this process still fails to produce viable solutions, the Commission may open a wider call for proposals, allowing any capable third party to come forward with projects. All resulting projects must then be submitted promptly for inclusion in national development plans, the TYNDP and the Union list.

System operator feedback

Several TSOs have expressed concerns about this shift of the operational central planning role toward the Commission and ACER.[6] They argue that EU-level scenario development risks becoming detached from national operational realities whereas accurate grid planning relies on deep, local operational expertise. Furthermore, it is argued that the Commission-led cycle could misalign with national investment cycles; and large-scale infrastructures may be forced into planning timelines that do not reflect national constraints. Accordingly, TSOs claim that scenario assumptions must come "bottom-up" from regional and national climate plans, not be imposed top-down.

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[5] The cross-regional configuration of all Groups is referred to collectively as the TEN-E Group. Each Group is composed of representatives from the member states, national regulatory authorities (NRAs), TSOs, the Commission, ACER, the EU DSO Entity and, depending on the sector, either ENTSO-E or ENNOH. Decisions within the Groups are taken by the member states and the Commission on the basis of consensus.

[6] It its proposal, the Commission indicated that "41% of respondents (many of which system operators) expressed disagreement with the TYNDP having a more top-down European approach to better link identified needs and priority projects of common European interest". For example, see: Elia. (2025, December 22). Belgische hoogspanningsnetbeheerder Elia waarschuwt voor te centraal Europees beleid [news article], "Solar Magazine ". https://solarmagazine.nl/nieuws-zonne-energie/i42505/belgische-hoogspanningsnetbeheerder-elia-waarschuwt-voor-te-centraal-europees-beleid.

However, from the Commission's perspective a centralized scenario is considered to offer clear advantages: consistency, comparability, avoidance of fragmented methodologies, and alignment with EU-wide decarbonization objectives. The framework can still rely heavily on detailed national and TSO-level data, meaning local expertise is not excluded. According to the Package, centralization supports objective cross-border needs assessment and sends clearer investment signals for infrastructure whose value depends on developments across multiple member states.

Timing issues

A central practical issue is the Commission's proposal – contrary to a majority of stakeholders during the consultation process – to extend the TYNDP cycle from two to four years.[7] For developers seeking PCI/PMI status, if this means the cycle for updating the TYNDP list will also be extended from two to four years, the implications could be material:

- The next TYNDP after the current cycle could be finalized only around 2030.
- The PCI/PMI call that follows would conclude around 2032.
- CEF funding calls (studies and works) would then occur around 2033.

Because early-stage funding is essential – particularly for permitting-critical studies – this risks delaying key electricity, hydrogen and CO_2 infrastructure precisely when acceleration is paramount. The Commission argues that the new process will be "more robust, coordinated and less duplicative", but the reality may be a bottleneck for project developers and promoters.

While the Commission grounds its intervention in concerns about delays affecting effectiveness, a longer TYNDP cycle may raise alignment questions with that objective. Given the rapid evolution of system needs – shaped by shifting demand, electrification, hydrogen strategies, supply-chain conditions and geopolitics – a four-year cadence may offer fewer opportunities for recalibration. From a project developer's perspective, the frequency of updates matters for keeping assessments current and ensuring that emerging bottlenecks and evolving infrastructure priorities are captured in a timely and predictable manner. Finally, the Commission recognizes that assuming these new responsibilities carries budgetary implications for both itself and ACER, and the effectiveness of the new framework will depend on whether the institutions taking on expanded roles are adequately resourced so as not to introduce new procedural bottlenecks.

Other key developments

In addition to the abovementioned developments, the Package contains several innovations that, overall, enjoy wide support and are considered to be much needed to quickly develop a fully integrated and resilient European energy infrastructure. Some of those are discussed below.

Accelerated permitting and digitalization

The Package builds on earlier initiatives – first adopted as emergency measures during the 2021-2022 European energy price crisis to accelerate permitting for renewable energy. Among others, the Package:

- Requires member states to establish a single national digital portal covering every step of the permit-granting process for renewable energy, storage and grid projects, including access to species-observation data and other environmental or geological datasets held by the relevant authorities
- Introduces tacit approval mechanisms for intermediate permitting steps within renewable acceleration areas, as well as for final permits for all small-scale solar installations below 100 kW;
- Sets short, technology-specific deadlines for permitting decisions (e.g., three months for rooftop PV greater than 100 kW; six months for permits including grid connection for standalone storage greater than 100 kW; two years for pumped-hydro projects)
- Eliminates permitting requirements entirely (except the grid-connection procedure) for certain small assets under 100 kW

[7] On this aspect, the Package is somewhat unclear. On the one hand, it literally states that "on the frequency of the processes, most stakeholders (85%) found the current two-year cycle appropriate. The legislative proposal prolongs the current two-year TYNDP cycle to four years". On the other, looking at the provisions of the Package (particularly Article 11), this prolongation to four years seems specifically linked to the central scenario development. This could mean that the TYNDP list of projects may still be updated every two years, as is currently the case.

- Requires the appointment of independent facilitators and the implementation of benefit-sharing measures for projects of 10 MW or more to support local acceptance

Most of these measures address what is widely seen in practice as significant causes of delay in energy project development.

Increasing efficient use of existing assets

The Package not only looks at investments in infrastructure expansion, but also at making better use of existing infrastructure. For example, the Package includes a Communication on grid connections that sets out a toolbox of practical measures – drawn from real-world experience – to help member states, NRAs, TSOs and Distribution System Operators (DSOs) prevent, manage and streamline growing grid-connection queues. This guidance is non-binding: it does not change EU law or create new legal obligations, but shares best practices and a common reference approach that national authorities can adopt or adapt within their own legal frameworks. In practice, that means domestic authorities can use the toolbox – covering planning, transparency/locational signals, digitalized procedures, maturity filters, flexible connections and prioritization frameworks – to improve processes now, without waiting for legislation, and reduce congestion and waiting lists in a way that remains transparent, non-discriminatory and aligned with existing EU electricity rules. This is particularly timely, as many member states are currently grappling with congestion and long waiting lists and are exploring alternatives to the traditional first-come-first-served approach.

Moreover, the Package acknowledges the need to consider alternatives to grid expansion in the proposed revision of the TEN-E Regulation, particularly by promoting digitalization and advancing non-wire solutions – advanced grid-enhancing technologies (e.g., dynamic line rating, advanced power flow controllers, digital twin platforms) – to the status of a recognized infrastructure category that could be included as in the TYNDP. In parallel, ENTSO-E and ENNOH must integrate these solutions when preparing the new identification report for infrastructure needs.

Improved cross-border cost-sharing and project bundling

CBCA is the EU's mechanism for ensuring that the costs of major cross-border infrastructure are shared fairly among all member states that benefit, thereby helping projects with asymmetric benefit profiles move forward. The revised TEN-E framework clarifies the principles of the CBCA between member states – primarily correlating cost-allocation with the distribution of benefits – and ensures that if at least 10% of a project's estimated benefits arise in a member state, that member state and its NRA must participate in the CBCA process.

Two innovations matter particularly for developers:

- Mandatory ex ante CBCA agreements, with ex post adjustment allowed only if they are explicitly defined and tightly circumscribed
- The option to bundle several PCIs or PMIs under one CBCA framework, incentivizing coordinated development and CEF applications

These measures address long-standing concerns around asymmetrical benefit distribution, which has, in the past, delayed or derailed projects.

Use of congestion income for priority interconnectors

The Package introduces a new requirement for TSOs to earmark 25% of congestion income (beyond that needed for capacity availability and offshore compensation) for investments in PCIs/PMIs aimed at relieving interconnector congestion. This represents an important new funding source for infrastructure, particularly relevant in markets where tariffs are politically sensitive or constrained.

Strengthened physical and cyber security

Amid increasing geopolitical risk, the Package introduces a new infrastructure category in the form of investments into equipment and installations directly connected to and designed to enhance the critical network elements' resilience and protection. It also gives greater prominence to cybersecurity, both as a factor in assessing the added value of certain infrastructure projects and as a required component of PCI/PMI implementation plans.

Conclusion

The Package proposes an important evolution of the EU's energy infrastructure framework, introducing more EU-level coordination and accelerated permitting rules, among others. Taken together, according to the Commission these elements aim to address long-standing procedural and investment challenges and to support the scale-up of electricity, hydrogen and CO_2 networks across the EU.

At the same time, several aspects of the reform will require careful implementation. The Commission's assumption of a central scenario-setting role would increase the need for a process that is both timely and supported by complete, high-quality data from TSOs and member states. Given the role that the central scenario would play across infrastructure needs assessment, PCI/PMI selection and CBCA decisions, it has been argued that a framework relying on ad hoc data requests may prove insufficient to ensure modelling that consistently reflects system realities at the national and regional levels.

The proposal to extend the TYNDP cycle from two to four years also raises structural questions. In a context where system needs evolve rapidly – driven by electrification trends, hydrogen market development, supply chain variability and geopolitical factors – a less frequent update cycle may reduce the framework's responsiveness and could have knock-on effects for PCI/PMI timing and associated CEF funding opportunities. Ensuring that the new governance model does not inadvertently introduce additional bottlenecks will be critical.

Overall, the Package aims to set out a more integrated and ambitious governance structure for European grid development. While it remains to be seen what will ultimately be agreed by the co-legislators, its effectiveness will ultimately depend on how smoothly any new processes are operationalized, how effectively institutions coordinate and whether the procedural cadence remains aligned with the pace of Europe's energy system transformation.

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