



Vattenfall's views on the European Grids Package Policy Paper

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Background:

Given the critical role of grids for integrating affordable renewable energy and supporting electrification, the European Grids Package was announced by the European Commission as part of the Competitiveness Compass for the EU and the Clean Industrial Deal. Ensuring a well-integrated and optimised European energy grid is crucial to accelerating a competitive, cost-efficient and clean energy transition to support the EU's decarbonisation efforts for 2030 and 2050.

Generally, we see significant progress under the existing EU grid framework, particularly in advancing market integration and energy system resilience. These accomplishments provide a strong foundation for the next phase of grid development.

We would like to highlight four focus areas that we believe to be crucial in alleviating barriers to improved electricity grid usage and grid development:

1. Clear and predictable regulation

Regulatory clarity, particularly regarding revenue regulation, is essential for investments in the EU's electricity grid. Visibility on the EU's decarbonisation commitments and the pace of transition is equally important, as these guide investment decisions on both the generation and demand sides, directly affecting grid dimensioning and connection needs. Stronger commitment to the enforcement and implementation of EU legislation is needed at both EU and national levels. In addition a cost-reflective electricity network tariff methodology on national level that ensures a fair distribution of costs and anticipatory investments is paramount to enable grid investments and an uptake of electrification..

2. Access to network components and skilled labour

Timely grid development depends on reliable access to essential components and skilled workers. There is a genuine concern that rising demand will further extend delivery times and inflate costs. Particular attention should be paid to securing supply chains and ensuring the availability of the necessary assets when developing future legislation and revising existing legislation.

3. Streamlined and simplified permitting processes

Grid permitting procedures must evolve to match the ambition of EU and national targets. Significant time and efficiency gains can be realised through more streamlined processes. The scale and urgency of today's grid connection demands are unprecedented and require a permitting system adapted to this new reality. Environmental assessments and inquiries in connection with the application for permits for network concessions for power lines, and additional permits, have become too extensive. We see a

need for reduced complexity if we are to be able to maintain the pace of the transition to electrifying the industry and other aspects of society.

4. Optimising use of existing infrastructure

Maximising the utilisation of existing grid assets is the most cost-efficient approach. System operators must be empowered to use regulatory tools such as non-discriminatory flexible (non-firm) connection agreements that enable optimisation and tap into the potential of flexible asset. National implementation of EU rules should prioritise clarity and effectiveness, avoiding both unnecessary administrative burdens as well as too high requirements on urgently needed flexibility assets. This will support faster connections and improve infrastructure use. Additionally, we believe that there will have to be a period where system operators actually have a chance to apply the existing flexibility tools in a real setting to see if it is intended for purpose, prior to further regulatory adjustments of EU frameworks.

Looking ahead, we believe that further market integration can be additionally achieved through improved governance of cross-border infrastructure, continued promotion of the internal energy market, and greater interconnection. Strengthening these areas will help ensure that the full benefits of integration are realised in support of the EU's energy security, affordability and climate goals.

Vattenfall is a European energy company with approximately 21,000 employees. For more than 100 years we have electrified industries, supplied energy to people's homes and modernised our way of living through innovation and cooperation. We are working for fossil freedom. With operations across the electricity value chain—from generation and distribution to customer solutions – we at Vattenfall actively invest in fossil-free energy, grid infrastructure, and innovative technologies. Our experience as both an electricity grid user and developer informs our contribution.