

The EU Grids Package: Optimising the Nexus of Electricity Infrastructure and Electricity Markets

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On 10 December 2025, the European Commission published the EU Grids Package (COM (2025) 1005), setting out legislative proposals to expand and strengthen Europe's electricity grid. The package targets bottlenecks and barriers to project development, aiming to facilitate a more integrated, efficient and resilient grid. It has been widely welcomed as both a necessary intervention and a step in the right direction.

At Europex, we have consistently emphasised that sufficient grid investment, combined with transparent and stable market frameworks, is the most effective way to deliver electricity that is affordable, reliable and sustainable. Congested grids undermine transmission efficiency, which in turn affects energy security, affordability and overall system reliability.

1. Grids and Markets Need to Go Hand in Hand

a) Grid Capacity and Price Signals

The most effective way to ensure affordability is the full integration of coupled intraday and day-ahead markets combined with the optimal utilisation of cross-zonal capacity. This requires robust interconnections and well-developed grids that allow electricity to flow from where it is cheapest to produce to where it is most valued.

Under the current design of the EU power market, the cheapest available generation is dispatched first and electricity is allowed to flow to areas where it is most needed. This mechanism maximises production and consumption efficiency, delivering system-wide economic benefits. However, physical bottlenecks and constrained grids prevent electricity from flowing in the quantities required, limiting the system's efficiency. Bottlenecks impede price convergence, reflected in diverging prices across zones. These market-driven price signals are crucial as they guide investment decisions, ensuring that the most economically efficient solutions are implemented first. Markets provide vital information on where investments will deliver the greatest value.

Market-driven investments strengthen Europe's overall competitiveness by providing affordability and energy security at the lowest cost. Reinforcing the grid and leveraging market-based tools are essential to addressing price volatility and ensuring efficiency. In

contrast, non-market interventions such as peak-shaving products or temporary price-control schemes risk undermining wholesale market efficiency and fragmenting liquidity. Only transparent market structures and stable regulatory frameworks can ensure long-term affordability through effective economically guided investment.

b) Interconnectivity, Renewable Energy and Weather Patterns

As established by ACER in its Market Monitoring Report¹, “day-ahead results set the main price reference for electricity markets as they guide forward trading expectations and influence real-time balancing actions”. Power production is increasingly tied to weather conditions, particularly sunshine and wind, introducing weather as a key factor in price variation. Moreover, demand and production keep on constantly changing across Europe. Cross-zonal flows help to address these altering patterns between production and consumption.

For example, strong wind patterns in one area at a given point in time can enhance energy security and overall affordability in regions where the wind is weaker at the same time, provided interconnections are strong enough to allow electricity to flow to where it is needed. High or low temperatures increase demand for heating and cooling, and when combined with low solar and wind generation, they can expose the system to higher prices and greater volatility. Interconnections between zones with uncorrelated renewable energy profiles or weather patterns can provide substantial system value, particularly during periods of stress. Price convergence achieved through increased physical interconnections can strengthen both system security and affordability.

The Grids Package recognises this. A physically integrated Energy Union is essential to addressing high prices and volatility. Market integration promotes cross-border trading, improves security of supply and balances supply and demand in a cost-effective manner. Reinforcing the grid is a prerequisite to future-proof the system.

2. Assessment of Concrete Proposals

a) Speeding Up Permitting Procedures

Slow permitting is widely recognised as one of the most significant barriers to the timely deployment of energy infrastructure and generation in the EU. The Commission has sought to address this challenge for many years. The proposed Permitting Acceleration Directive (COM(2025) 1007) introduces an EU-level framework to simplify and expedite procedures for all grid infrastructure, renewable energy projects, storage projects and

¹ Progress of EU electricity wholesale market Integration, 2025 Monitoring Report, 5 November 2025 ([link](#))

similar initiatives. It does so by establishing a *iuris tantum* presumption of overriding public interest for key projects and by setting time limits for permitting procedures, with tacit approval if authorities fail to meet them.

These proposals would benefit from clarification in decentralised Member States where local authorities hold ownership and responsibility for permitting. In such contexts, fear of decisions being overturned by higher authorities or courts often leads to overcompliance and delays. Standardisation and clear procedural guidance would provide substantial support to local permitting authorities. The proposal also introduces a one-stop-shop system for permitting. One-stop shops can dramatically accelerate processes when operationally empowered, particularly through the appointment of a single case manager or coordinator.

Europex welcomes the Commission's proposal to simplify permitting procedures. We nonetheless highlight the challenges posed by the varying competences of national authorities at regional and local levels. Member States must commit to adequately staffing and organising these authorities and to reviewing existing appeal stages. Transparency will be essential to secure the support of local communities.

b) Enhancing Existing Connections and Grid Usage

In addition to faster permitting and new investments in grid infrastructure, the better utilisation of existing grids through technical upgrades, digitalisation and flexibility solutions must be encouraged. The EU Grids Package also includes a non-binding Guidance on grid connections (COM (2025) 8473) aimed at improving grid connection processes and alleviating connection bottlenecks. It further provides recommendations and shares good practices that Member States and national regulatory authorities can adopt.

Europex explicitly welcomes this approach as a cost-efficient measure with the potential to deliver rapid gains. In particular, we stand ready to support efforts to leverage and maximise the benefits of market-based flexibility mechanisms.

c) Keeping the Cost of Investments in Check

The EU Grids Package rightly recognises the scale of investment required to expand and upgrade Europe's electricity networks. In this context, we would like to emphasise that the costs of grid investments will ultimately be borne by European industries and consumers. Grids are primarily financed through regulated tariffs, and network charges already account for a significant share of retail electricity prices, a share that is expected to grow further in the coming decades.

Any planning and investment decisions must therefore ensure that expenditure delivers tangible system value and supports affordability. To guarantee that these substantial investments translate into efficient system development and lower long-term costs, it is essential that electricity market signals continue to guide where and when generation, flexibility and demand response are required. Well-functioning, liquid and transparent wholesale electricity markets provide these signals and help ensure that decarbonisation progresses at the lowest possible cost.

Against this background, we would like to emphasise that any support mechanism must be designed so as not to undermine forward market liquidity or distort price formation in spot markets. A strong forward market is essential, as market participants naturally hedge their price and volume risk, and this hedging activity generates reliable long-term price signals for suppliers, investors and consumers.

While Contracts for Difference (CfDs) are widely promoted as a tool to achieve the EU's carbon neutrality targets and provide predictable revenues to investors, their design is critical. Poorly designed CfDs risk distorting the efficient dispatch of resources, weakening market signals and reducing incentives for market participants to hedge in long-term markets.

Europex therefore explicitly welcomes the European Commission's recommendation to use longer reference periods for CfD reference prices. This approach helps minimise potential negative impacts on forward markets and avoids placing undue strain on liquidity. We clearly support the inclusion of these principles in the Commission's guidance document.

d) More Integrated EU-Level Planning

The EU Grids Package foresees a stronger role for the Commission through the development of a central EU scenario for electricity, hydrogen and gas, to be used in the Ten-Year Network Development Plans (TYNDP). In addition, harmonised cross-sector cost-benefit analysis methodologies are to be introduced. The package also envisages new mechanisms for the Commission to address planning "gaps" and intervene where identified infrastructure needs are not met by national plans.

Europex acknowledges the challenges inherent in this approach but believes that effectively internalising common EU interests in the TYNDP requires addressing the fair sharing of costs and benefits, not only for Member States but also for all downstream stakeholders. We consider that such an approach has the potential to be less time-consuming, less confrontational and more efficient.

Conclusion

The EU Grids Package is a timely and necessary step to address the structural constraints that currently undermine affordability, security of supply and the efficient integration of renewable energy in Europe. Structurally congested and underdeveloped grids hinder price convergence, limit cross-border flows and expose consumers to higher and more volatile prices.

Strengthening grid infrastructure and completing the internal energy market are essential to future-proof the system. Grid development enhances resilience against weather-driven volatility and ensures affordable, reliable and sustainable electricity for all European consumers.

About

Europex is a not-for-profit association of European energy exchanges with 36 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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