

To the kind attention of **Lukasz Kolinski**, Director, Green Transition and Energy System Integration
Christof Lessenich, Head of Unit, Internal Energy Market
DG ENER, European Commission

Priorities for an optimised use of distribution networks

Brussels, 2 June 2026

Dear Lukasz,
Dear Christoff,

On behalf of smartEn, I am writing to share a perspective on the forthcoming legislative proposal concerning dynamic network prices, as announced in the Accelerate EU Communication, and, more broadly, on the role that distribution tariffs can play in accelerating grid optimisation across Europe.

Europe currently faces what many increasingly describe as the “empty networks paradox”: despite average utilisation rates of low-voltage grids remaining below 20%, network charges and congestion concerns continue to rise, while consumers receive limited or inconsistent signals encouraging efficient use of existing infrastructure.

In this context, dynamic and cost-reflective network tariffs should become a central pillar of European grid optimisation policy.

However, the application of dynamic tariffs should be carefully considered in those contexts with low or inexistent network costs and where static tariffs are not applied.

Dynamic network pricing alone is unlikely to deliver the full potential of distributed flexibility.

A more effective and balanced approach would *combine*:

- Predictable **dynamic (green/amber/red) network tariff** bands updated regularly by DSOs, to send regular signals to consumers on the status of the grids;
- **local flexibility markets** which contract a large amount of flexible demand through availability payments (where appropriate) and activate it in a market-based way when flexibility is needed, notably when dynamic network tariffs are not enough to adjust the energy patterns of flexusers.

This hybrid model would create both implicit and explicit grid signals, enabling flexibility service providers to compete on the efficient orchestration of distributed energy resources while delivering tangible value to system operators and consumers.

International experience suggests this direction is both feasible and beneficial. Australia, for example, is already progressing toward highly granular dynamic pricing frameworks combined with local flexibility markets. Europe should ensure it remains equally ambitious.

The forthcoming proposal therefore presents an important opportunity for a well-designed framework to simultaneously:

- strengthen harmonised principles for dynamic network charging;
- equally encourage local flexibility markets;
- incentivise the active use of distributed storage and flexible demand to optimise grid utilisation.

I would welcome the opportunity to exchange further on these topics should it be useful during the preparation of the proposal.

Your sincerely,



Michael Villa
Executive Director, smartEn – Smart Energy Europe

About smartEn - Smart Energy Europe

smartEn is the European business association of the Flexible Demand Management Industry. We integrate consumer-driven solutions in the clean energy system by unlocking demand-side flexibility.

Our mission is to create opportunities for every company, building, and vehicle to support an increasingly renewable energy system.



The positions expressed in this document represent the views of smartEn as an association, but not necessarily the opinion of each specific smartEn member.

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