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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. Cion doc.:	12071/26
Subject:	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/943, as regards future-proofing electricity bills in the Union, through reducing system costs and fostering electrification and digitalisation - Policy debate

In view of the Transport, Telecommunications and Energy Council on 29 October 2026, delegations will find in the Annex the Presidency background note on the above proposal.

ANNEX

POLICY DEBATE ON THE NETWORK CHARGES PROPOSAL

The conclusions of the European Council of 19 March 2026 called on the Commission to urgently present targeted measures across all components of electricity prices[1]. Among the measures with which the Commission responded is the proposal for a Regulation on Network Charges[2].

The Networks Charges proposal aims to complement the Grids Package by strengthening network tariff design to better incentivise cost-efficient use of grid infrastructure. In addition, it includes measures to support smart grids, smart meters, grid data exchange, grid connection prioritisation and electricity taxation. Each of these measures are expected to deliver efficiency gains and cost-savings for European citizens and businesses.

Since the publication of the Network Charges proposal, the Presidency has driven forward a thorough examination of the proposal in the Energy Working Party. The Presidency has prepared two revised compromise texts based on the comments received from the Member States. Progress has been made on technical aspects; however political guidance is now required on two fundamental issues.

1. Tariff Design

A primary objective of the Network Charges proposal is to strengthen the existing principles of tariff design, particularly in relation to the implementation of efficiency incentives such as locational and time-of-use price signals in national tariff design.

In addition, to provide enhanced transparency on tariff design, and improved comparability across Member States, the Commission proposed a common tariff structure to harmonise tariff methodology.

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1 EUCO 1/26
2 Doc. 12071/26

Question for Ministers:

Q1. *How can we improve the implementation of system-friendly tariff design principles, and ensure that they are applied transparently and consistently across Member States?*

2. Electricity Taxation

To avoid a so-called 'waterbed effect', whereby changes in taxation policy could potentially offset any efficiency gains resulting from an improved network charges design, the Commission proposed several ancillary taxation measures:

i) Member States to adopt a taxation framework supportive of electricity;

ii) Member States to apply electricity excise duties that are less than or equal to natural gas excise duties; and

iii) electricity supplied to energy-intensive businesses, as defined in the Energy Taxation Directive, to be deemed compliant with the relevant environmental conditions of that Directive which allow a Member State to introduce rate reductions or zero-rated excise duties for such electricity.

During the examination of the legislative proposal at technical level, many Member States generally expressed support for the objective of incentivising electrification. However, on a point of principle, many Member States indicated that they considered the taxation legal basis under Article 113 TFEU to be the appropriate basis for this provision, requiring unanimous decision.

Question for Ministers:

Q2. *Are Ministers prepared to accept a compromise on the proposed taxation elements in this legislative proposal?*