SUMMARY OF THE CONSULTATION DRAFT OF A REGULATORY FRAMEWORK FOR ELECTRICITY TRANSMISSION SYSTEM OPERATORS (GBK-25-01-1#2) OF 10 DECEMBER 2025 *(the text of the determination is decisive)*

A. KEY CONSIDERATIONS ON THE INITIAL SITUATION

Prominent role of TSOs: Unlike the approximately 900 distribution system operators (DSOs), the four electricity TSOs bear the primary system responsibility (balancing energy, redispatch, etc). The secure system operation is also subject to significant changes in the transformation of the generation landscape.

Investment needs: By 2045, at least €320bn will be needed for onshore and offshore networks alone for the TSOs. This is significantly more, both absolutely and relative to the existing infrastructure, than for all DSOs or gas TSOs.

Observations from ongoing regulation: This leads to the cost structure of the TSOs, in which more than 80% of total costs were annually adjustable costs (capital and many operating costs) in the most recent regulation, no longer being adequately captured and regulated by the budget principle. Strong volatility in operating costs and system services exacerbates this. A national total cost (TOTEX) efficiency benchmarking (efficiency comparison considering operational and capital costs) is currently not feasible for the TSOs due to the small number of participants and methodological/legal hurdles.

New regulatory approach feasible: Due to the manageable number of TSOs and their complete unbundling, other regulatory approaches are possible that deviate from general incentive regulation.

Parallelism of regulation: The goal is to achieve greater parallelism of the regulation of onshore and offshore operations, which are currently handled in two different systems. Offshore regulation already follows the principle of annual consideration. The legally prescribed separate financing via network tariffs (onshore) and the offshore network surcharge remains unaffected, but the European basic rules for cost determination must be the same for both paths.

The **determination** itself is the concrete result of this analysis and the recognition of the special challenges for the TSOs. It is now being put out for consultation.

To provide the capital markets with the necessary **planning security**, the evaluation of the new system in comparison to investment activities will take place no earlier than 2034, and the regulatory framework will be adjusted, if necessary, **no earlier than 2038**.

The focus of the determination is exclusively on the principles of cost and revenue determination for the TSOs. Questions regarding the formation of tariffs in the narrower sense or questions of access regulation are not addressed but are the subject of the so-called AgNEs process on the tariff system.

B. KEY CONTENTS

I. ANNUALITY PRINCIPLE

The Bundesnetzagentur proposes an annual, forecast-cost-based, cost-plus regulation with efficiency incentives and subsequent actual cost comparison for the TSOs, similar to what is already practiced for offshore network costs. This change from the budget principle previously provided for in the Incentive Regulation Ordinance (ARegV) is the second-best solution from the regulatory perspective but is justified by the circumstances and feasible for four fully unbundled companies. This will make regulation more uniform. Administrative resources will be freed up for in-depth examinations.

Comparison between forecast and actual costs

The regulations set out in the StromNEF (BK-24-02-1#3) for the calculation of network costs are also to apply to the TSOs.

To determine the forecast costs, each TSO should carefully forecast the network costs at the beginning of each year. This forecast should be made in accordance with, among other things, the following aspects:

a) good professional practice and due diligence,
b) applicable regulations from the Energy Industry Act (EnWG) and StromNEF on cost determination,
c) the applicable determination on the return on equity and
d) other future TSO methodology determinations on individual topics such as efficiency incentives.

At the end of each year, a comparison between forecast and actual costs will be carried out and submitted to the Bundesnetzagentur. Full cost transparency of all costs on an annual basis continues to apply to the authority.

Instead of a base year examination of all four TSOs in parallel, each TSO will be subject to an individual cost examination at least once every four years. Individual supervisory proceedings remain possible at any time in accordance with the general rules. Five years after the end of a calendar year, approval will be assumed.

Handling of differences between forecast and actual costs

A forecast cost approach with a subsequent settlement with the actual costs inherently results in differences that must be considered in the following years.

To prevent extreme fluctuations in the network tariffs, the Bundesnetzagentur plans to introduce a mechanism that would stabilise differences between forecast and actual costs in the onshore network tariff calculations in cases where, for example, the differences

amount to 10% of the annual volume of costs. This resulting stability and predictability of tariffs can represent a not insignificant value for network customers.

Trade tax

For the TSOs, the trade tax will in future be recognised in the amount of the actual trade tax incurred by the network operator. This deviates from the general regulations (GBK-25-01-1#1), which are based on an imputed trade tax.

II. RETURN ON CAPITAL

The model outlined in the methodology determination on the return on capital (GBK-25-02-3#1) – using a weighted average cost of capital (WACC) method – is equally suitable for the TSOs. This form of capital cost calculation is also applied in the majority of European countries.

The previously applicable mixed system of general price level accounting and net value maintenance will also be replaced for the TSOs, as it is for the DSOs, and converted to a uniform valuation according to general price level accounting.

The Bundesnetzagentur considers the previously provided ratio of 40% equity and 60% debt to be appropriate for the TSOs under the WACC approach, based on the current state of deliberations.

Return on equity

Regarding the level of interest, the Bundesnetzagentur intends to transfer the approach from the general determination. The return on equity will be the only cost item not to be adjusted annually for the TSOs but will be applied according to the general regulatory period. A return on equity for this fixed period provides the desired stability, predictability, and investment security regarding capital costs, according to the feedback from the consultation on the key elements paper.

Cost of debt

Unlike the methodology for DSOs, an individual interest rate for the respective TSO over a multi-year period is to be used in the annual calculation of debt costs. Here, a sector-specific bond index is determined, which takes into account the respective bond volume and the rating of a TSO. Unlike DSOs, TSOs have a rating that is exclusively related to their task as network operators and activity-related bonds.

III. FOCUS EXAMINATION / EFFICIENCY INCENTIVES

Instead of a TOTEX efficiency benchmarking within the framework of the methodology determination, a basis enabling comprehensive assessments in order to guarantee efficiency is to be created. Partial benchmarks, activity-based costing, and output-based cost setting are conceivable in this regard. Existing rules on a bonus/penalty system for

the efficient procurement of system services in the loss and balancing energy sectors are to be kept and developed.

VI. ACCELERATION INCENTIVES

The faster the network is expanded, new assets are put into operation, and new operating concepts are applied, the faster the redispatch volume and the associated costs decrease. In addition to regulatory obligations and deadlines, an economic incentive should also be set to use limited resources efficiently. In addition to the return from the network business, TSOs should therefore be granted a bonus if their own measures result in macroeconomic cost savings and cost reductions for customers.

The Bundesnetzagentur therefore envisages a system in which substantial bonuses are to be possible if the total amount of redispatching in the system can be demonstrably reduced. To this end, the saved redispatch quantity is to be monetarily evaluated in two comparison years and paid out proportionally as a one-time bonus. The bonus payments should be capped at an annual maximum amount, which has not yet been specified in the framework determination. If no reduction in redispatch quantities occurs, no entitlement to a bonus payment arises.

V. RESEARCH AND DEVELOPMENT

TSOs play a significantly greater role in their network operation with regard to research and development than at other voltage levels. It is therefore being examined whether an instrument should be implemented in the future regulatory framework to support and encourage research projects by TSOs.

VI. PAYMENTS TO THIRD PARTIES

The Bundesnetzagentur intends to largely continue the regulation for payments in connection with the projects of the Federal Requirements Plan Act (BBPlG) and the Power Grid Expansion Act (EnLAG). This includes one-off payments for the entry of an easement (section 5a of the Electricity Network Tariffs Ordinance, StromNEV). For compensation payments to local authorities (section 5(4) StromNEV), a transitional extension and then a phase-out are being examined. Payments to third parties can contribute to increasing the acceptance of the necessary network expansion and thus to accelerating the procedures.