

Transmission and distribution company incentives

Main barriers and solution pathways

Implementation map

Please find detailed information on the policy approach in the ENEFIRST report [“Priority areas for implementing Efficiency First”](#)

<https://enefirst.eu/reports-findings/>



Short introduction to the policy approach

Transmission and distribution company incentives

Financial incentives for regulated network companies (DSOs, TSOs) to consider and invest into demand resources as an alternative to building new grid capacities.

Business as usual	E1st scenario
Network companies have an incentive to invest into their assets as they earn a rate of return on the investment	The same revenue can be earned on all types of costs incurred (capex or opex)
Network companies have no incentive to actively innovate and align with the power system transition	Performance-based incentives could reduce the inertia of network companies and their appetite for more risky but potentially more efficient solutions.

Overcoming the main barriers to the design and implementation of E1st

Transmission and distribution company incentives

I. Policy design and implementation



Further reading

- ENEFIRST report [“Priority areas for implementing Efficiency First”](#)
 - Chapter 3.2.3 Identified policy approaches in the power sector
- Pató, Z. Baker, P. and Rosenow, J. (2019) [Performance-based regulation: Aligning incentives with clean energy outcomes](#), RAP