



– Consultation response –

Europex response to ACER public consultation on the draft Framework Guidelines on Demand Response

Brussels, 12 August 2022 | Europex welcomes the opportunity to provide feedback on ACER's draft Framework Guidelines (FG) on Demand Response (DR) in preparation of a new network code. Demand response, and more generally system flexibility, play a key role in achieving the EU's decarbonisation targets and securing future system stability as volatile electricity production from renewables will need to increase substantially in the years to come.

Against this background, we explicitly recognise the need to speed up the flexibilisation of electricity demand (as well as production and storage) and support the Commission's initiative to look into this important issue.

Further, it is vital to keep in mind that a future network code on demand response will ultimately have an impact on the functioning of all market timeframes and will introduce an additional layer of regulatory, organisational and technical complexity. Hence, while developing the network code, the overall functioning and fundamental objectives of an integrated, transparent and efficient Internal Energy Market need to be taken into consideration. This is especially true when making fundamental system design choices, like a possible introduction of locational tag bids in intraday and balancing markets for procuring SO services or other significant market design interventions. While the proposed changes aim at ensuring wholesale market access for demand response and other relevant sources, they are challenging and would add complexity to the existing framework, e.g. in terms of price signal and technical implementation. Therefore, a careful impact assessment and an in-depth evaluation of the long-term market design requirements is of utmost importance to assess the viability and feasibility of the proposed options. This will avoid a disruptive impact on the current market design and will allow to further progress towards the full market integration of demand response.

Please find our detailed assessment below:

Paragraph	Opinion	Comments
(2)	Disagree	The term demand response only refers to one way of looking at flexibility, thus the title should be changed to NC for Flexibility as it then encompasses various aspects of flexibility and is adaptable to new technologies and future market design changes.
(21)	Disagree	The current demand response focus of the draft Guidelines lies solely on SO markets, or, more precisely, SO services, i.e. congestion management and voltage control. However, we strongly believe that the existing wholesale markets can and should be utilised to facilitate and further incentivise the use of demand response. In this way, electricity spot markets will be further integrated and reflect the exact supply and demand situation at any given time. This will increase system transparency and provide for a more efficient flexibility system.
(22)	Disagree	<p>The requirement for SOs to jointly submit a common proposal can prove difficult in Member States with multiple DSOs, particularly in countries such as Germany where there are several hundreds of DSOs, or in Spain where there is only one SO without a related distribution company but more than 300 integrated companies having responsibility for network management. In such cases, a possible solution could be that the proposal is jointly worked out by TSOs and only bigger DSOs above a certain threshold (in terms of the number of connected customers) should directly contribute while other DSOs can get involved indirectly through a market stakeholder consultation process.</p> <p>Additionally, we support a formal approval process by the respective NRA since SO services are by principle regulated. NRA approval is necessary, especially when multiple DSOs are present, in order to grant an adequate level of harmonisation and avoid a fragmentation of products.</p> <p>We fear, however, that such an approval process might prove cumbersome and lengthy, thus delaying the establishment of an efficient framework for incentivising DR. Further, the described process of an 'All SOs Proposal' risks being too rigid as it regulates too much at an early stage. DSOs shall not be impeded to progress earlier and launch innovative local solutions at single SO level in the meantime. The length of the drafting and approval process as well as a too far-reaching regulation might induce them to postpone any activities in the field of local flexibility.</p> <p>The 'All SOs Proposal' shall not be overly detailed at national level so that the process is manageable and feasible within a reasonable time limit. Alternative processes to an 'All SOs Proposal' shall be</p>

		allowed, namely having the NRA start a process for establishing roles and responsibilities and to facilitate the implementation of the new NC.
(54)	Neutral	Clear guidance is needed for minimising the distortion of the level playing field for new market entrants (especially third-party MOs) compared to the existing ones when procuring SO services. The present draft GLs do not mention the need for clear guidance for market integration and design rules in each Member State which would also cover the responsibilities of third parties (especially market operators).
(55)	Disagree	<p>We support the concept that a local market can be operated by the procuring SO itself or in conjunction with other SOs, by a different SO or different SOs or by a third party. Yet, we have strong reservations against the NRA approval process that is too rigid and will hinder innovation at local level (see comment on provision (22)). Within a given Member State, a SO or group of regional SOs should be free to choose whether to have the local market for system services operated by themselves, one of them, or a neutral third party.</p> <p>We believe that a third party is the most efficient option for assuring neutrality in Member States with multiple DSOs. All DSOs may subscribe to one single market platform for flexibility handled by the third party thus avoiding the implementation of several market platforms by several DSOs and avoiding the handling of additional collaterals for the clearing and settlement.</p>
(84)	Neutral	We welcome the proposal for defining a common European list of attributes for products used for congestion management. However, we also think that these products should complement products from the wholesale markets and, if necessary, should recommend changes to the wholesale market products to better reflect the needs of DR.
(86)	Disagree	We recommend that all market stakeholders are consulted before any proposal is submitted to the NRA. All parties, including market participants/demand response providers, need to be involved in the product definition process and take into account the needs of DSOs and market operators. For the product definition, the SOs shall organise a consultation process of market participants.
(90)	Neutral	We also believe that there needs to be special emphasis on ensuring the right long-term investment signals, which should be reflective of the market situation.
(93)	Disagree	We recommend that all market stakeholders are consulted before any proposal is submitted to the NRA. Market participants/demand response providers need to be involved in the process of designing local markets nationally.

About

Europex is a not-for-profit association of European energy exchanges with 30 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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