



To the kind attention of **Kadri Simson**  
European Commissioner for Energy

Brussels, 7 February 2023

## Unlock the demand-side flexibility potential through a consumer-centric EU Electricity Market Design

Dear Commissioner,

The revision of the Electricity Market Design (EMD) offers a precious opportunity to address in a structural way the current energy resilience and energy affordability crises, while supporting the clean energy transition with consumers in the lead (from households to energy intensive industries, acting individually or collectively).

Thanks to a wide set of Distributed Energy Resources (DER), including demand management, energy storage, electric vehicles and distributed energy efficient and renewable generation, all consumers can become providers of flexibility. As the electricity system transforms, they will become essential actors in an efficient, digitally-enabled, interoperable and renewables-based power system.

As a broad group of business associations, NGOs and civil society organisations, we welcome that the importance of active consumers and demand-side flexibility (DSF) is central to the considerations of the European Commission for this revision and would suggest the following recommendations:

- Maintain existing EMD rules fostering demand-side flexibility and strengthen the support to Member States in their implementation efforts. Around 20 articles in both the Electricity Directive and Regulation<sup>1</sup> are already setting the right EU policy framework to unleash the flexibility of all consumers: they should be transposed, not questioned.
- Introduce a target to stimulate the activation of demand-side flexibility. This can take the form of an obligation to reduce electricity demand in peak hours, as introduced among the 2022 emergency measures<sup>2</sup>, or other alternatives to quantify, measure and track progress on the flexible contribution of all end-use sectors through market-based measures.
- Strengthen consumer empowerment. To ensure full exploitation of the distributed flexibility potential, the EMD should ensure the possibility for active consumers to participate through both implicit and explicit types of scheme, and automation should ease their interaction with the system. This would enable value stacking and proper remuneration for active consumers. For this to happen, the use of certified sub-meters as a complement to smart meters in circumstances where those might be beneficial should be considered. Also, EU harmonised attributes of products to reflect the contribution of DERs for system services should be accelerated through Flexibility Registers and mutual recognition of registered assets across Member States should be ensured.
- Maximise district self-optimisation and local energy sharing. A local market design should be shaped to allow a local DER optimisation behind the sub-station (BTSS). It should be based on the requirement that DSOs offer a connection to all customers through different models and ensure data transparency on network congestions, but do not gain privileged control over connected assets or associated data. This would help solve local congestion challenges and avoid costly grid reinforcements that might be caused by the deployment of new decentralised forms of electrical load and generation. These provisions should complement existing EMD rules fostering energy communities and the OPEX approach for local flexibility markets by DSOs.
- Unlock the value of demand-side resources in wholesale energy and ancillary services markets. Open, transparent and non-discriminatory electricity markets are crucial to reward demand-side resources. The existing marginal energy price formation should be maintained as it provides necessary dispatch and investment signals for all assets and services. In addition, the time granularity of electricity markets should be revised through shorter settlement intervals and gate closure closer to delivery to enable service providers to retain operational control over their assets as close

<sup>1</sup> The current EMD provisions are crucial for 1) the market-based procurement of all Decentralised Energy Resources by System Operators 2) the non-discriminatory participation of all DERs to all electricity markets and mechanisms 3) frameworks for innovative services, including aggregation services and local communities 4) access to price signals for end-users

<sup>2</sup> Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices

as possible to delivery time. Member States should be allowed to introduce scarcity pricing to reflect the market value of scarcity and enhance the value of flexibility in wholesale markets.

- Support DER investments with capacity remuneration arrangements. Capacity remuneration mechanisms should be optimised to match the rapid variations of (renewable) generation and consumption that are expected in a decarbonised system. To this end, Resource Adequacy Assessments should evaluate in a transparent way system flexibility needs and DERs should be allowed to play an active role in any capacity remuneration mechanism.
- Combine renewables support schemes with DSF procurement. Revenue stabilisation instruments for renewables at utility-scale, including commercial PPAs and government-backed CfDs, should include requirements for procuring flexibility on the demand-side to mitigate volume risk, reducing uncertainty and costs for the contracting parties. Such contracts supported by granular Guarantee of Origin certificates should contribute to match clean energy supply and flexible demand on a 24/7 basis.

We are at your disposal to provide our advice and support to make the EU energy system more resilient, secure and efficient, with active consumers onboard.

AVERE – The European Association for Electromobility

CAN Europe - Climate Action Network Europe

ChargeUp Europe

Cogen Europe – The European Association for the Promotion of Cogeneration

ECOS - Environmental Coalition on Standards

EER - European Energy Retailers

EHPA - European Heat Pump Association

ESMIG - The European Smart Energy Solution Providers

Eu.bac - European Building Automation Control Association

Europex - Association of European Energy Exchanges

smartEn – Smart Energy Europe

T&D Europe - The European association of the electricity transmission and distribution equipment and services industry