



– Survey response –

Response to the European Commission’s survey on barriers for demand response participation in electricity markets and State aid schemes

Brussels, 24 November 2023

According to your opinion, please rate from 1 (low) to 5 (high) to what extent the following barriers discourage the participation of demand to wholesale electricity markets.

Rather high (4):

- The pre-qualification process is performed at the unit level (instead that at the pool level).
- The lack of possibility to present bids with respect to a portfolio of different technologies.
- Lack of possibility for suppliers to offer dynamic electricity price contracts to end-customers.
- The deployment status of smart meters.

Moderate (3):

- The lack of obligations for TSO and DSOs to indicate in their network development plans information on the need of flexibility services in the medium- and long-term time horizon.

Rather low (2):

- The length and complexity of the pre-qualification process to obtain the status of market participant.
- The lack cost-reflective, transparent, and non-discriminatory network charges that account separately for the electricity fed into the grid and the electricity consumed from the grid.

Low (1):

- The obligation to sign an agreement with the Balancing Responsible Party (BRP) to operate in wholesale electricity markets.
- The obligation for BSP to also obtain the qualification of BRP to operate in ancillary services markets.

- Length and complexity of the procedure to obtain the connection to the grid.
- Financial, honourability, and technical requirements to operate in wholesale electricity markets as DR operator or aggregator.
- Pricing mechanism of wholesale markets.
- The poor effectiveness of the liberalisation.

Which changes in the legal/regulatory framework do you consider would encourage the participation of demand in wholesale electricity markets? Please provide an indication of such changes.

Europex believes that the changes to the legal/regulatory framework that would encourage the participation of demand response in wholesale electricity markets are the following:

- The establishment of a new Network Code for Demand Response that clearly enables the access of flexibility assets to wholesale electricity markets while not jeopardising grid security. Furthermore, during the drafting process of the new Network Code there should be full involvement of end-consumer associations to make them aware of the key role they and the end-consumers themselves can and need to play in the successful implementation of flexibility markets.
- The boosting of market-based mechanisms for the procurement of flexibility services. The marketplace for the procurement should be organised by a third party – in the form of, e.g., a market operator, power exchange or delegated operator – already handling the wholesale markets. In this way, Balancing Service Providers (BSPs) which aggregate flexibility resources would be able to relate to the same market operators of wholesale electricity markets with several clear advantages, e.g., liquidity pooling, avoiding the handling of additional collateral for the clearing and settlement, etc. Importantly, any such third parties must not hold any physical positions in the market (e.g. TSOs/DSOs) which would constitute a clear conflict of interest.

In addition to the barriers mentioned in the previous questions, do you consider the presence of other barriers hampering the participation of DR to wholesale electricity markets? Please provide an indication of such barriers.

Other barriers hampering the participation of demand response in wholesale electricity markets are the following:

- Lengthy and complex national regulatory processes. The regulatory and administrative processes at national level should be easy to manage and not too lengthy in order not to discourage local flexibility projects. Furthermore, System Operators (SOs) need clear incentives to be engaged in market-based flexibility procurement, meaning also that the cost for the market-based procurement of flexibility resources needs to be recognised and recoverable.
- Non-market-based procurement. Non-market-based mechanisms for the procurement of flexibility services should not be encouraged in the new Network Code as otherwise there would be no integration in the wholesale electricity markets. In this sense, when preparing the national terms and conditions, DSOs and TSOs shall assess and make public the cost-savings that market-based procurement will bring compared to non-

market-based procurement (such as reduced re-dispatching costs, reduced or deferred grid investment costs, reduced grid operation costs, etc.).

In general, do you consider the legal and regulatory framework concerning the wholesale electricity markets in your country as sufficiently predictable?

We believe that the regulatory framework for wholesale electricity markets at national level is fairly predictable since it is based on European regulation. However, Member States apply different normative processes and different timings, which is especially true for secondary regulation. In the particular case of demand response, it is important to put in place predictable and harmonised regulation with the clear aim to develop local flexibility markets first (e.g., in form of pilot projects) and then have them integrated in the European wholesale electricity market in a second step.

About Europex

Europex is a not-for-profit association of European energy exchanges with 34 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.

Contact

Europex – Association of European Energy Exchanges
Rue Archimède 44
1000 Brussels, Belgium

Phone: +32 2 512 34 10

Website: www.europex.org

Email: secretariat@europex.org

X: @Europex_energy

EU Transparency Register: 50679663522-75