



To the kind attention of **Elisabeth KÖSTINGER**
Federal Ministry of Agriculture, Forestry, Environment and Water Management
Republic of Austria
Cc: EU 27 Energy Ministers and Permanent Representations to the EU

Brussels, 12 September 2018

RE: The value of decentralised demand-side flexibility and storage - a clean, flexible and efficient energy supply for all

Dear Federal Minister,

Centralised energy storage technologies and industrial scale Demand Response will be a focus of the forthcoming Informal Energy Council and the High-Level Energy Conference “Charge for Change” in Linz on 17/18 September. These are innovative technological evolutions that we strongly welcome and support.

However, alongside these large-scale solutions, co-signatories of this declaration would like to highlight the importance of decentralised demand response and energy storage at commercial and residential level, including electric vehicles, to make the optimal use of all flexibility solutions.

In this perspective, Member States should grasp the immediate opportunity provided by the Electricity Market Design Directive and Regulation *to support all types of flexibility* and unlock their vast potentials for the energy system.

Specifically, distributed flexibility and storage can offer key benefits to the future energy system as it will:

- Optimise the uptake of distributed renewable energy sources;
- Support the balancing and reliability of the electricity system by allowing to shift electricity from the moment of generation, over time, to the moment of use;
- Simultaneously offer multiple services to the grid and generate multiple revenue streams that lower the payback time of storage and flexibility assets;
- Relieve congestions in both distribution and transmission grids, therefore deferring the need for investments in grid reinforcements;
- Empower customers to become an active part of the energy system, thanks to the optimal use of their assets, automation and innovative services. As a result, consumers and “prosumers” of all sizes can interact with the energy system and participate in the energy markets - individually or through aggregators.

In buildings, demand-side flexibility and installed decentralised energy storage can form the centre of an intelligent system that automatically adjusts the energy usage of a site. In combination with on-site renewable sources, such systems will not only provide essential services to the grid, but ensure that consumers can increase their consumption of renewable energy and be protected from energy price hikes or grid outages.

To promote the uptake of such business models, it is essential to ensure non-discriminatory access for decentralised resources to electricity markets and mechanisms, foster the emergence of new market players - including active customers and aggregators, and guarantee effective price signals at wholesale and retail level.

With a specific view to promote the uptake of both decentralized and centralized energy storage, the Annex to this letter lists the provisions that should be targeted in both the Electricity Directive and Regulation.

The European electricity system has changed radically in the last decade. As the penetration of decentralised energy resources increases, it is now critical to update the current EU regulatory framework and promote the uptake of cleaner and more decentralized flexibility solutions. Altogether, these measures will unlock the full potential of demand-side flexibility.

We are at your disposal for any clarification and further discussions.



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e.V.

ANNEX

With a specific view to energy storage, the following provisions should be targeted:

- Article 3 of the Electricity Regulation should ensure that **storage systems are granted fair and non-discriminatory access to all markets**, to ensure a level playing field for all market participants;
- Articles 36 and 54 of the Electricity Directive should foresee that the **ownership, development, management and operation of storage is market-based**. This will ensure that flexibility providers invest in these solutions based on their competitive value and can combine offering services to various markets, depending on the needs. Any exceptional derogations should be strictly limited to cases of market-failure, time-limited and based on the specific approval by the Regulatory Authority;
- In light of the above, Articles 32 and 40 of the Electricity Directive should allow, incentivise and ensure that **System Operators procure flexibility services** from all available resources, including decentralised demand response and storage, in accordance with transparent, non-discriminatory and market-based procedures. Streamlined market products for such services shall be defined at least at national level to avoid market fragmentation and ensure that resources can be used by both Transmission and Distribution System Operators depending on the system needs at any given moment;
- Article 15 of the Electricity Directive should **prevent double taxation of storage** and make sure that storage owners are not subject to additional taxes, levies and fees for the electricity stored. Today, energy offtake is usually charged whether it is used for consumption or stored for system support and re-injected to the grid. In some countries, even the same energy is charged again when being fed back into the grid. The new EU framework should make sure that every kilowatt-hour can be traced and is only taxed once;
- In light of the above, Article 16 of the Electricity Regulation should ensure that **network tariffs do not penalise the use of storage**. As storage systems can offer services to balance the system helping the electricity grid to remain stable, network tariffs should be cost-reflective, ensuring that storage owners or operators are charged and rewarded for the costs and benefits they generate for the network.