

EER response to the EC Stakeholder Consultation on Network Codes

12 May 2020

Targeted EC Stakeholder Consultation

Priority list for the development of network codes and guidelines on electricity for the period 2020-2023 and on gas for 2020 (and beyond)

The European Energy Retailers - Network of Independent Energy & Solution Providers asbl (EER) welcomes the opportunity to voice its thoughts regarding the priority list for the development of network codes and guidelines on electricity for the period 2020-2023. EER agrees that the far-reaching decarbonisation efforts of the European Union require a large quantity of renewable energy sources which will have to be integrated into the energy system. **Demand Side Flexibility is one of the key factors to achieve an effective and at the same time cost efficient integration of renewable energy sources.** It will help to further reduce the amount of conventional must-run capacities needed and therefore to accelerate the deployment of renewable energy sources. In the short run, Demand Side Flexibility will help to deploy, for example, new loads like electromobility or storage and increase the number of heat pumps and other applications without driving the grids to the limits or at least stretching those limits until new lines can be built. In the long run, the costs of the network can be limited to economically efficient levels, as Demand Side Flexibility allows for peak shaving of the load and therefore to limit the need for additional capacity of the network.

EERs perception of the current situation is, that **there are still many obstacles to the effective deployment of Demand Side Flexibility.** Meanwhile, the total installed capacity of renewables is constantly growing, which is already clearly visible in the wholesale markets and in the increasing number of grid congestions. The demand for electric vehicles is expected to pick up and grow rapidly in the coming years and will consequently create new problems for the networks in the near future. Therefore, **EER suggest to prioritise flexibility for developing new harmonised rules.**

EER strongly supports the widened focus in the Commission's consultation document on Demand Side Flexibility from flexibility for the purpose of solving congestion in the grids to the market access of new market players such as active consumers. The electricity market has a fundamental role in guaranteeing the security of supply, by balancing demand and supply in the electricity system. A well-functioning energy market is a prerequisite for a stable and secure energy system. Grid constraints are limiting factors for the energy market, and therefore play an important role. But the main goal in using Demand Side Flexibility for congestion management in the networks is to limit the need of new lines and to reach an economically efficient level of network capacity. This is why the main effort should be to strengthen market-oriented flexibility and address grid-congestion only as a secondary task.

Network tariffs

Network tariffs, taxes and fees are the main obstacles for the development of Demand Side Flexibility, because they directly affect the market-transactions of consumers. Even if from a market perspective this may be desirable, a consumer will not use more energy at a certain moment in time, if he has to pay high capacity prices. The consumer will rather limit his maximum capacity to the lowest possible level. Paying network tariffs for every kilowatt-hour stored, a consumer will not use storage for market purposes. At the same time, network tariffs should be cost-reflective, in order to limit the grid-capacity to an economically-efficient level. **It is of utmost importance to find new tariff-structures, that do not impede the market-transactions of active customers and provide a fair contribution to network costs by the consumer.**

Incentives for grid-oriented flexibility

DSOs often do not have incentives to use Demand Side Flexibility to address congestion in their grids. **Regulation has to provide incentives for grid operators to choose the most economically efficient option to solve grid restrictions,** may it be flexibility or new lines. Without such incentives, there is no demand for Flexibility.

EER believes, that the best economic outcome in respect to Flexibility can only be achieved, if the flexibility is based on a voluntary participation of consumers. Consumers should be given incentives to offer their available flexibility or invest in new flexibility in order to help managing grid restrictions. Such incentives should be technologically neutral, in order to support innovation and letting the market work.

Terms and conditions

The participation of consumers in the market or in grid-oriented flexibility regimes is often linked to conditions like new meters, a change of the balancing regime, a new supply contract and many more. Without any doubt, many of these requirements are necessary. There is a risk of impeding the deployment of flexibility, though, because those terms and conditions engender additional costs. Especially for small market participants those costs can be prohibitive. It is therefore crucial, to find less-demanding solutions for small consumers.

Cyber-Security

Cyber-Security is of course a very important issue and needs attention in order to mitigate risks of manipulation from third parties. However, since there are already regulations to address this problem at EU and national level, EER believes that the remaining gaps can be filled by relatively small amendments to existing network codes. In this perspective, Cyber-Security does not appear to be a priority issue for EER at this stage.
