



European Union Agency for the Cooperation  
of Energy Regulators

# **Stakeholders Workshop on Demand Side Flexibility**

15 November 2021

# Opening

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Agenda

Housekeeping rules

DRAFT AGENDA		
09:15 – 09:30	Dial-in time	Starts promptly at 09:30
09:30 – 09:35	Opening	
09:35 – 09:50	Process for the establishment of European rules for demand side flexibility	
	Q&A	
09:50 – 10:15	Scope for the new rules (including assessment criteria)	
	Q&A	
10:15 – 11:15	Inputs from the Expert group	
	Q&A	
11:15 – 11:30	Closing	

# Opening – Housekeeping rules

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- Please keep your **mic muted** and your **camera off** throughout the workshop.
- You may pose questions via **chat**; all attendees will view all questions (and replies given in the chat).
- In case further clarifications are needed for a question you asked in the chat, you will be kindly asked to **open your mic**; please remember to **mute it** once clarifications have been provided.
- After each agenda-item we have time for a **Q&A session** for this agenda-item and go through the questions.
- The slide pack will be shared with you after the end of the workshop.

# Process for the establishment of European rules for Demand Side Flexibility

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Process for the establishment of a new NC

Article 59 of the Electricity Regulation

High-level planning

Main tasks for ACER

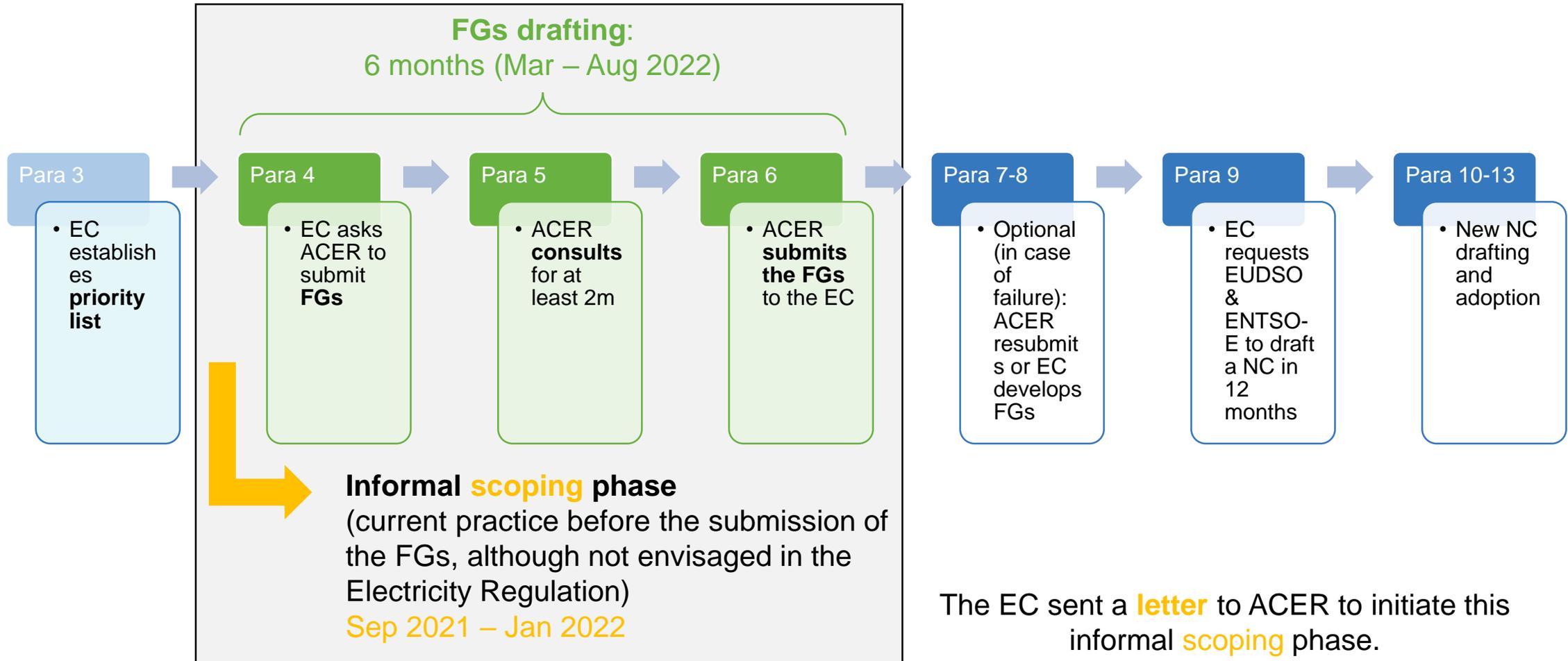
External expert group

- Article 59 of the Electricity Regulation<sup>1</sup> defines the **process for the establishment of network codes**, with the aim **to ensure uniform conditions for the implementation of the Regulation** in different areas.
- One of the areas is rules in relation to **demand response**, including rules on **aggregation, energy storage, and demand curtailment** rules.
- The process starts with the Commission **establishing a priority list**, identifying the areas to be included in the development of network codes.
- In its recent Decision<sup>2</sup> the Commission identified as priority, for the **development of harmonised electricity rules**, the rules regarding **demand side flexibility**, including rules on **aggregation, energy storage and demand curtailment** rules.

<sup>1</sup> Regulation (EU) 2019/943 of 5 June 2019 on the internal market for electricity

<sup>2</sup> Commission Implementing Decision (EU) 2020/1479 of 14 October 2020 establishing priority lists for the development of network codes and guidelines for electricity for the period from 2020 to 2023 and for gas in 2020

# Article 59 of the Electricity Regulation



Action	Date
External <b>expert group</b> working throughout scoping and framework guidelines drafting	Sep 2021 – Aug 2022
<b>ACER</b> informal scoping, incl. stakeholder consultation on scope of NC or amendments of existing NCs and GLs	Sep – Dec 2021
<b>ACER</b> to inform COM on outcome of scoping	Jan 2022
<b>COM</b> request to ACER to submit non-binding framework guidelines	Feb/Mar 2022
<b>ACER</b> drafting of non-binding framework guidelines to COM (within 6 months)	Mar – Aug 2022
<b>ACER</b> submission of non-binding framework guidelines to COM	Aug 2022
<b>COM</b> formal request to ENTSO-E and EU DSO to convene a drafting committee	Sep 2022
Kick-off meeting of <b>formal drafting committee</b>	Oct 2022

## Scoping

- identify the areas that fall under the requirements as set in the **priority list**, and
- should be included in a **European framework**

## Framework guidelines

- specify the **content of the European framework**,
- the objectives and
- the principles

Throughout this scoping (and FGs drafting) phase, **ACER will consult with stakeholders**, in order to gather also their views and proposals, which will be duly considered.

Today's **stakeholders workshop** aims to provide the stakeholders with the opportunity to express their views and affect the outcome of the scoping.

Further **stakeholders involvement** through an ACER external **Expert group on DSF**:

- Following ACER's open call in June-July, an ad hoc expert group was established.
- It consists of **12 expert stakeholders (DSOs, TSOs, academia, market participants)**, and observers from the EC, DSOs, TSOs, NRAs; it is convened by two chairs (ACER and NRA representatives).
- Its aim is to provide **expert input, in the form of an advice**, in the ACER/NRAs' discussions during the scoping and the framework guidelines drafting.

In order to provide full transparency to the public, the composition as well as minutes of the Expert group meetings are published on ACER's dedicated webpage.

[Expert group on demand side flexibility | www.acer.europa.eu](http://www.acer.europa.eu)

# Q&A



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Provide your questions on the subject in the chatbox or raise your hand to express views or ask questions/clarifications.

# Scope for the new rules in accordance with the priority list

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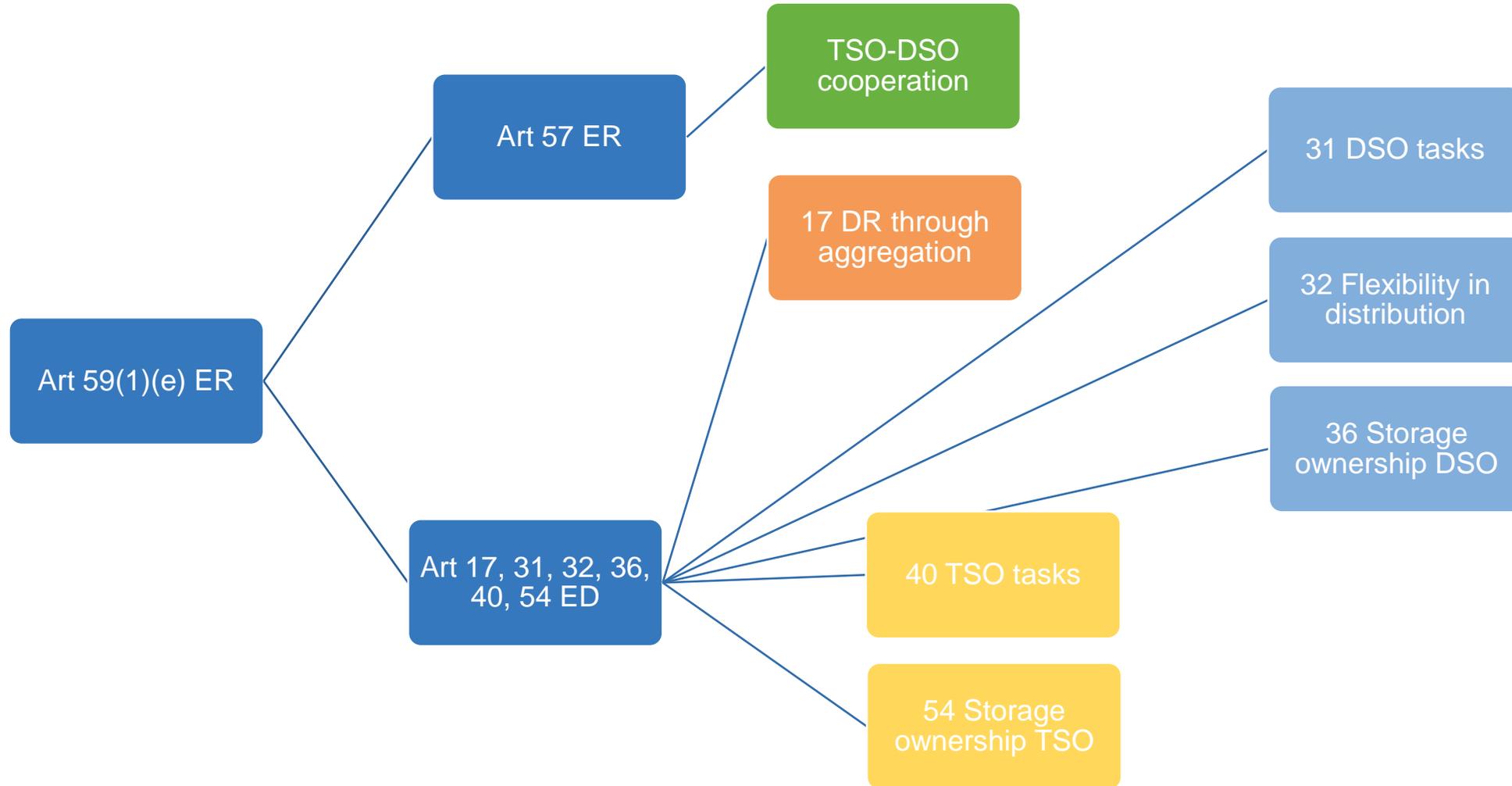
Establishment of the priority list

Requirements according to the legal basis

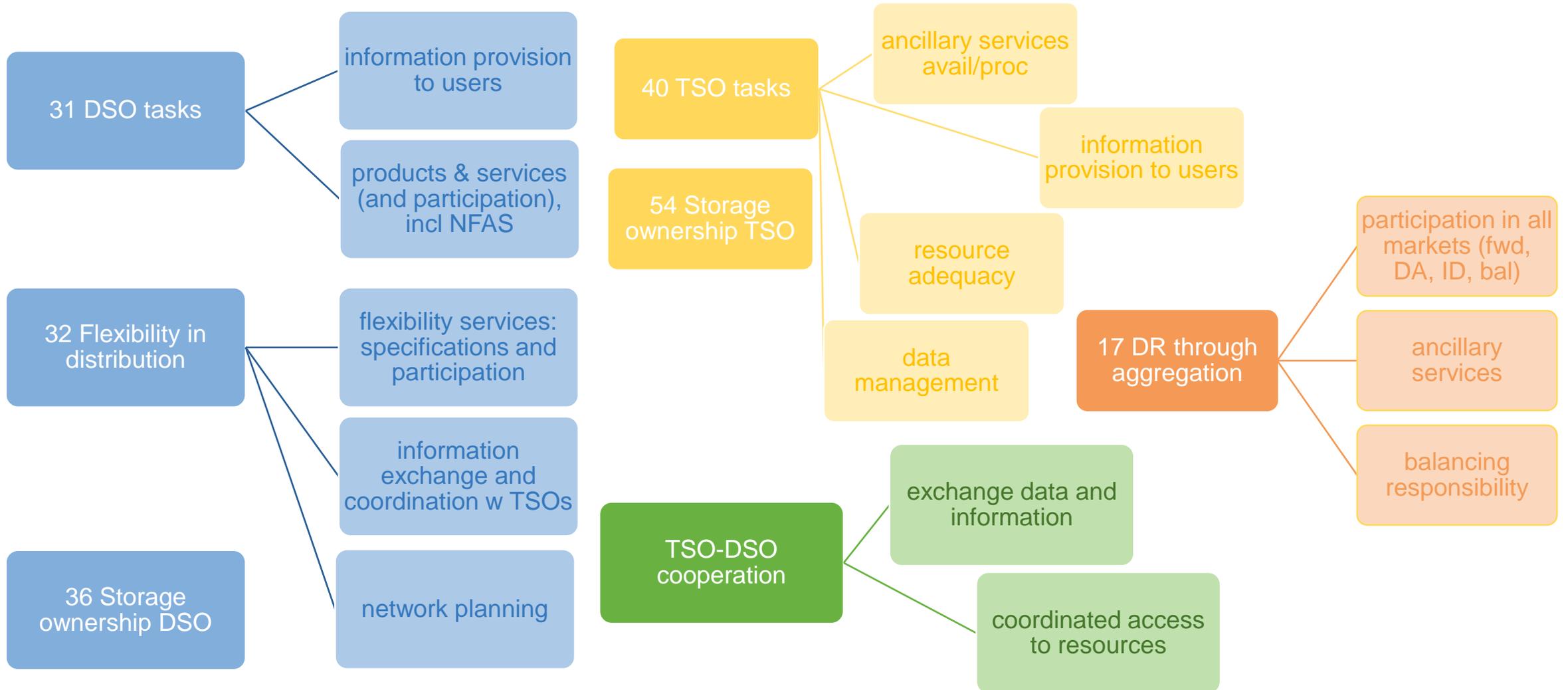
Scoping exercise

- Pursuant to Article 59(1)(e) of the Regulation (EU) 2019/943 one of the areas is “*rules implementing Article 57 of this Regulation and Articles 17, 31, 32, 36, 40 and 54 of Directive (EU) 2019/944 in relation to **demand response**, including rules on **aggregation, energy storage, and demand curtailment** rules.*”
- Commission Implementing Decision (EU) 2020/1479 of 14 October 2020 establishing [priority lists for the development of network codes and guidelines](#) for electricity for the period from [2020 to 2023](#) and for gas in 2020:
  - *Recital (6): Acknowledging the responses of stakeholders and having regard to ... the need for transparent and non-discriminatory flexibility market, the priority list for electricity for 2020-2023 includes harmonised electricity rules ... on demand-side flexibility.*
  - *Article 1: The priority list for the development of harmonised electricity rules for the period from 2020 to 2023 shall be the following: ... (b) rules regarding **demand side flexibility**, including rules on **aggregation, energy storage and demand curtailment** rules.*

# Requirements according to the legal basis I



# Requirements according to the legal basis II

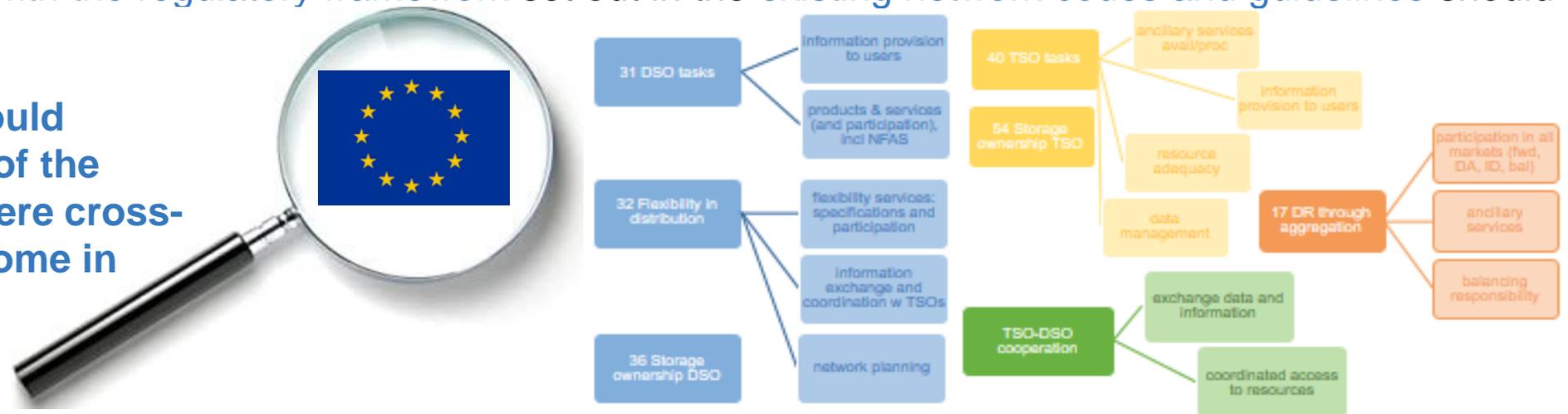


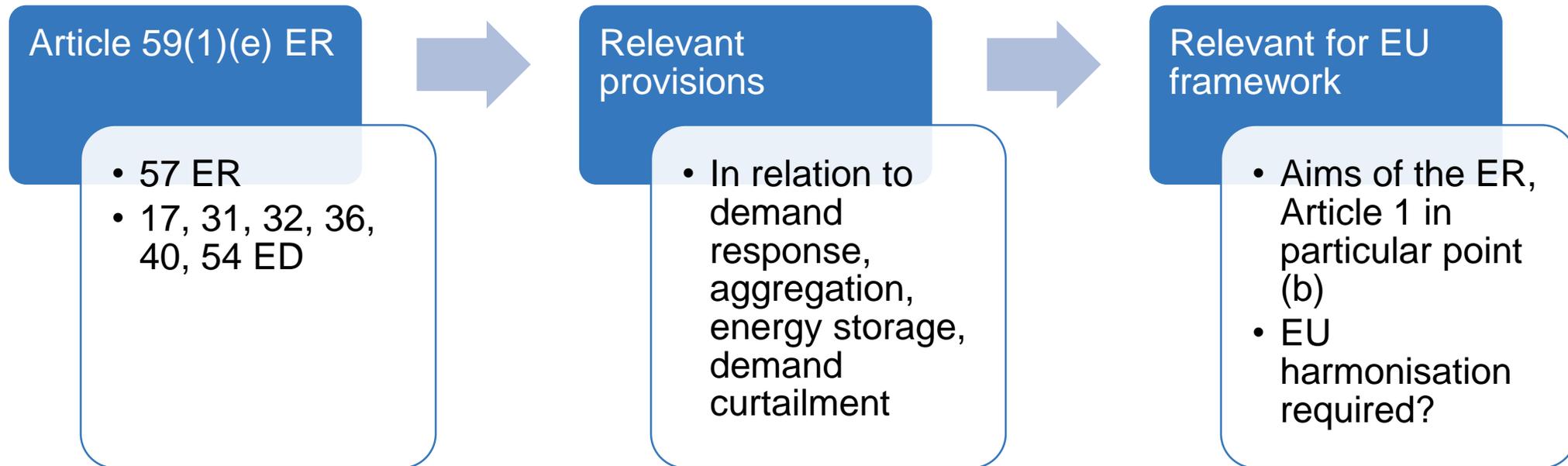
# Legal basis through EU-framework lenses

It is important to keep in mind that a European framework should respect two important **European principles: subsidiarity and proportionality**.

- We need to ensure that the new rules provide the **minimum degree of harmonisation** required to **achieve the aims of the ER** and in particular **well-functioning, integrated electricity markets**, which allow all resource providers and electricity customers **non-discriminatory market access**, empower consumers, **ensure competitiveness on the global market** as well as demand response, energy storage and energy efficiency, and facilitate aggregation of distributed demand and supply.
- **Coherence with the regulatory framework** set out in the **existing network codes and guidelines** should be ensured.

**This exercise should address the part of the whole picture where cross-border aspects come in**





It is important to note that the Articles used as legal basis (as included in Article 59(1)(e) ER) may direct to other Articles in the ED or ER, which should also be taken into account in the next steps of the process.

- During the scoping we need to **identify** which of the abovementioned **areas** are relevant for inclusion in a **European framework**.
- This includes among others:
  - the kind of products, markets and services;
  - the kind of market participants and service providers (such as loads, generation, storage; distribution connected only vs. distribution connected and transmission connected);
  - the processes required for information and data exchange;
  - the processes for the coordination between system operators and between different market timeframes.
- What this exercise is **NOT** about: the aim of **the scoping is not to determine** whether a European framework for the development of DSF should consist in the development of a new network code, in amendments of existing network codes and guidelines, or both.

# Key points for the scoping exercise

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- **Detail vs high-level:** it is important to note that the output of the scoping exercise will be **high-level**; it is **inevitable to also go into details** when discussing specific topics, but only to **assess** whether at the end the topic should be included in the scope of the new rules.
- **Top-down vs bottom-up:** the starting point for the scoping exercise is the **legal basis of Article 59(1)(e) of the Electricity Regulation** and its relevant provisions as well as of the Electricity Directive; in this way we follow a **top-down approach** to identify the topics to be included in the scope of the new rules, including, however, in this process, also the findings deriving from the various discussions and analyses that have been conducted so far (bottom-up approach).
- **Requirements vs implementation:** we understand that a lot of the barriers for enabling flexibility are linked to the **lack of implementing** specific provisions of the existing framework; although this is an important aspect, we need to ensure that **we identify regulatory gaps** during this process, and **not not-implemented regulatory provisions**.

# Q&A



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Provide your questions on the subject in the chatbox or raise your hand to express views or ask questions/clarifications.

# Inputs from the Expert Group

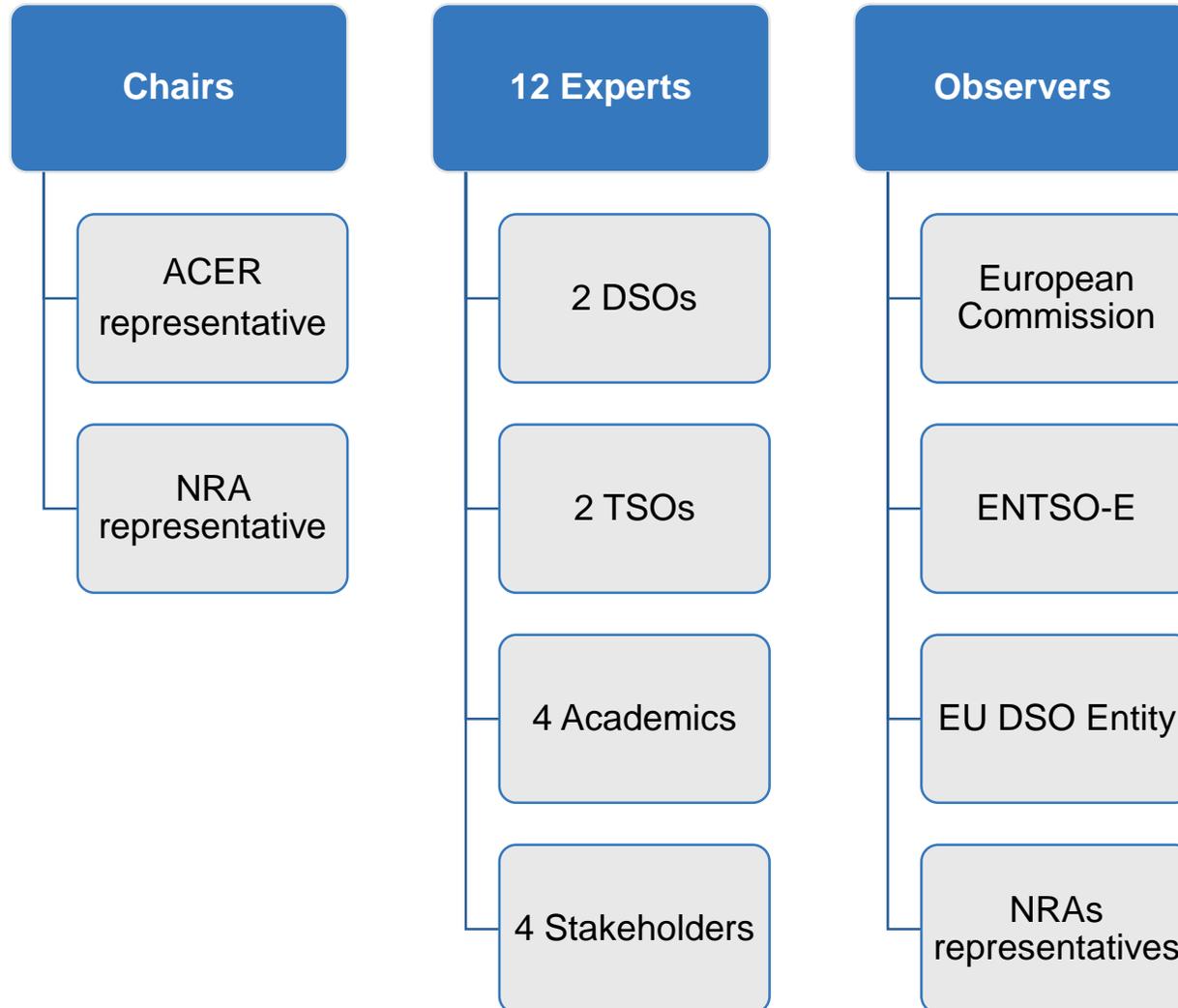
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Introduction

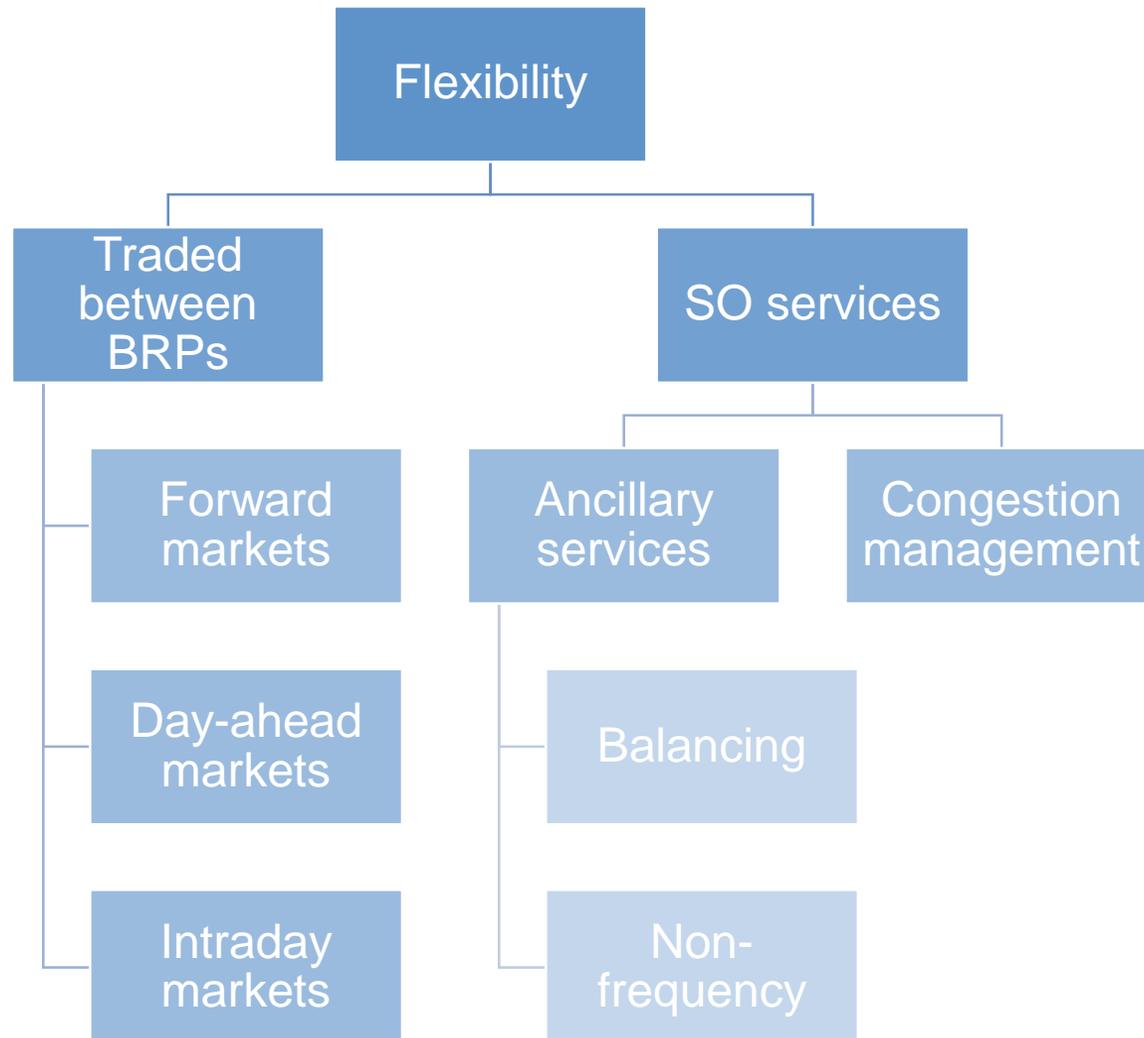
Topics discussed in the DSF Expert Group

Finding the right level of harmonisation

# Introduction – DSF Expert Group



- The Expert Group was based on an **open call** in June 2021.
- Experts appointed **ad personam** for their individual **experience and expertise** in the field.
- The Expert Group shall provide input through an **advice** to ACER and the NRAs in their work with the scoping face and the Framework Guideline drafting.

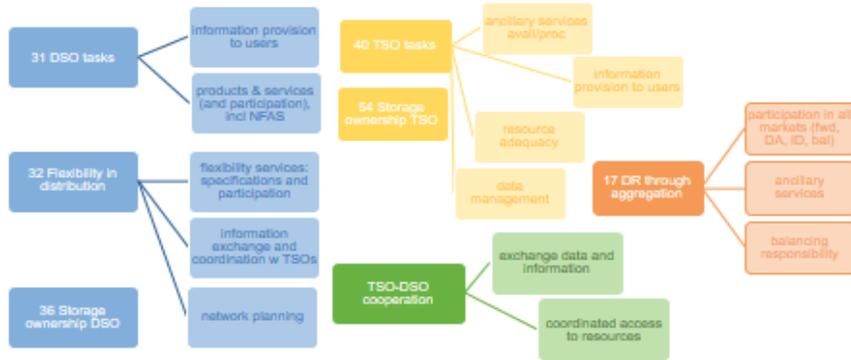


**Flexibility** has not been defined in the European legislative framework; several definitions have been proposed so far in the context of reports and analyses at European level.

Flexibility owned by flexibility providers can be

- traded in forward, day-ahead and intra-day markets between balance responsible party, and
- offered to cover system operators' demand for various services.

# Introduction – Grouping of topics for new rules



According to the respective provisions of the ER and the ED, the following **main categories/dimensions** can be identified, each with **topics** that could be relevant for inclusion in the scope of the new rules on demand side response.



## Markets/services

- Fwd, DA, ID markets
- Balancing
- NFAS
- Congestion management

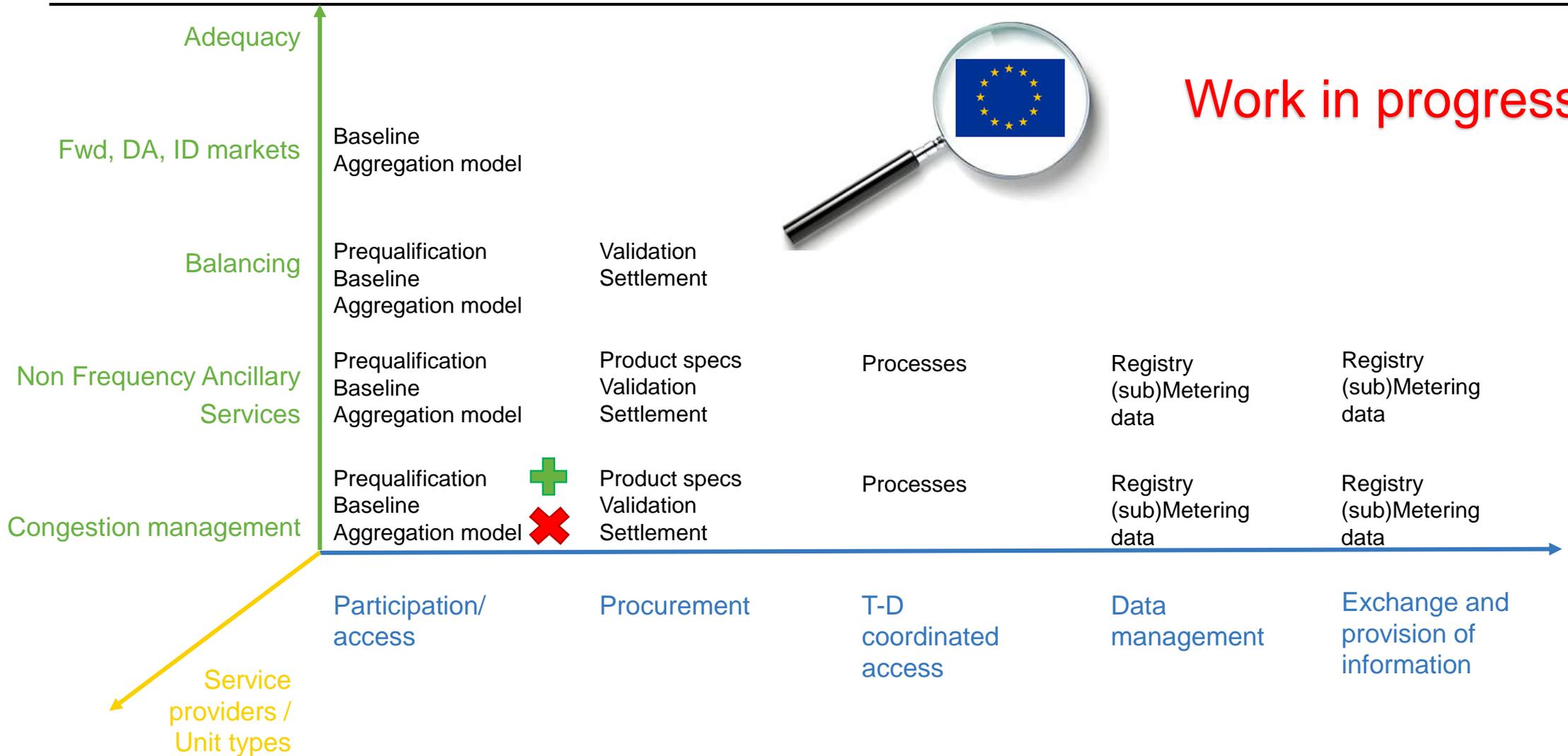
## Processes

- Participation
- Procurement
- Coordinated access
- Data management
- Exchange and provision of information

## Providers/assets

- Demand response
- Aggregators
- Storage
- Distributed generation

# Introduction – Potential topics for new rules



# Topics discussed in the DSF Expert Group

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- Since September, the DSF Expert Group had 3 monthly meetings, where several topics were discussed, along the lines of the process described in the previous slides.
- During these meetings the experts have been asked several questions and expressed their concerns, views, positions, and arguments, which have been serving as input for the ACER/NRAs discussions on this topic.
- The following slides provide some of the **points that were raised during these meetings**, but they **do not represent conclusions**, nor they should be considered as views of ACER and NRAs on these topics, as the discussions are still on going.
- These points aim to trigger the discussion in today's workshop and **the stakeholders are welcome to express their views**, which will also be considered in the ACER/NRAs process for the scoping exercise.

## What does demand side flexibility cover?

- Technology agnostic
- Cover (aggregated) consumer flexibility, storage, distributed generation, EV2G
- Voltage level distinction?
- Size of assets to be included within the definition?
- Both **products tradable between market participants (BRPs) and services to SOs** to be included
- Other terms may need a definition, such as congestion management (on local level) and flexibility markets

# Topics discussed in the DSF Expert Group

## Implicit DSF

- Relation between explicit and implicit DSF
- Not to be included in scope

## FW, DA, ID markets

- No particular market barriers mentioned (*indirect impact*)

## Balancing markets

- Prequalification (not duplicate processes, level of harmonisation same scope as for products)

# Topics discussed in the DSF Expert Group

## Frequency containment reserve

- **Specific assets excluded** in several countries – unclear whether the exclusion of smaller assets is due to technical requirements

## Non-Frequency Ancillary Services

- Potentially DSO-relevant

## Congestion Management

- **Redispatching** and local grid management
- Different definition/rules for **different voltage levels?**
- Potential **main topic** for harmonized European rules

# Topics discussed in the DSF Expert Group

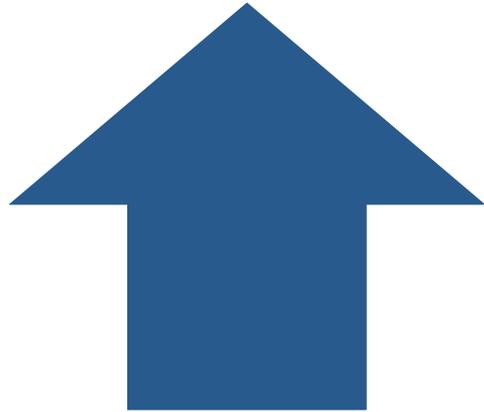
## Measuring, validation, settlement, baseline methodology

- **Baseline** methodology: harmonization does not seem to be preferable
- **Visibility, observability** crucial for the development of DSF
- **(Sub-) metering**: roles, accuracy requirements to be adapted to product and need for granularity, interrelation with the IA on interoperability

## Aggregation

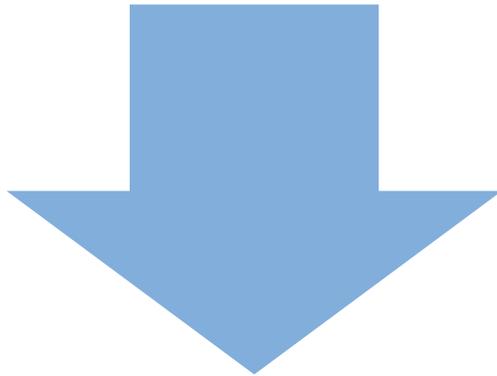
- **Portfolio management** must be enabled (link with the prequalification process)
- **Differentiate** the markets for aggregation

# Finding the right level of harmonisation



## European harmonization

- XB relevance
- Market integration vs. fragmentation
- Unlock flexibility by facilitating market access for international providers
- Need to adapt existing rules that were written for bigger assets
- Potential gain of harmonizing before implementing widely different models



## National network codes which do not affect cross-zonal trade

- Local/regional specificities
- Different maturity levels
- Less direct interaction between local markets
- Too detailed European rules may become a barrier

# Q&A



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Provide your questions on the subject in the chatbox or raise your hand to express views or ask questions/clarifications.

# Thank you!

# Any questions?



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