

# **EURELECTRIC Views on Demand Side Participation with a Focus on Demand Response**

**Per Hallberg**

**Chairman of EURELECTRIC WG Smart Grids & TF Smart Grids, Flexible Loads and Storage**

## Introduction

- **EURELECTRIC welcomes CEER's commitment to demand response**
- **Although there are some regulatory barriers currently hampering its development, we are convinced that DR will offer large – and currently untapped – benefits to customers**
- **Our paper “EURELECTRIC Views on Demand Side Participation” (published this week) aims at clarifying the main elements of a market model for demand response.**

# Table of Contents

- 1. Definitions**
- 2. Vision**
- 3. Demand Side Participation Principles**
- 4. Recommendations**

# 1. EURELECTRIC's definitions

- **Demand Side Participation** covers both Demand Response and Demand Side Management
  - Demand Response
  - Demand Side Management
- **Demand Response is a tool**, which will be used for wider goals (energy efficiency and intermittent RES) and where customers will play a crucial role

## 2. Our vision: bringing customers on board

- **Customers** will increasingly manage and adjust their consumption throughout the day, responding to more dynamic price signals. **They will rely on several feedback devices** (e.g. displays, internet)
- **But it should be up to consumers and suppliers to agree - on a contractual basis - on the communication channels preferred by customers**
- **Don't regulate the customers, don't restrict business models !**

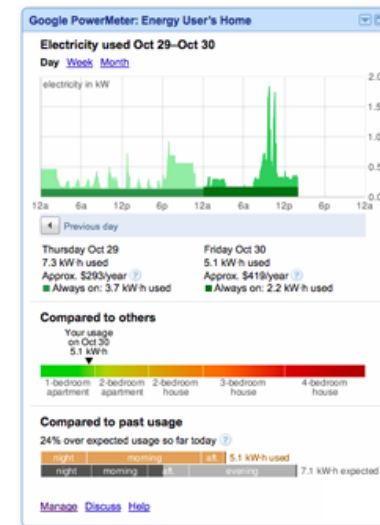


## **2. Regulation and market design are key to raise customer confidence in market-based demand response solutions**

- **Customers need to have confidence** and trust the market, otherwise the market won't take off and customers won't be able to play their role in demand response markets
- **End-user regulated prices – currently present in 19 out of 27 EU Member States** – hamper customers to increase their awareness of the economic value of (shifting) their electricity consumption
- **Simple customer interface should facilitate customer awareness and active participation**

### 3. Suppliers as major point of contact and energy services providers

- **Supplier as major point of contact** → makes all (major) retail market processes simpler from a customer perspective
- **Suppliers will ‘package’ new products / services based on customers’ preferences, e.g. :**
  - Dynamic pricing
  - Critical peak pricing
- **Suppliers will optimize their balancing opportunities and will provide ancillary services to system operators**



### **3. Manage the synchronisation between wholesale and retail markets**

- **Smart Meters should be technically able to perform readings on the basis of the same interval as applied in the wholesale market**
- **15 minutes meter reading should be recommended for system reasons once this can be implemented in a cost-effective way (though the actual use of this service being left to market dynamics)**
- **Well-functioning and integrated wholesale markets will lead to a level playing field on the retail markets**



### **3. DSOs will neutrally facilitate the market and perform a smarter grid management**

- Provide information to market actors in a transparent, non-discriminatory and efficient way**
- As responsible actors for system stability at the distribution level, DSOs should be given the tools to perform demand side management (only) when grid stability is at risk and before system security is jeopardized**
- These actions should however be regulated and supervised (to make them compatible with market rules) and should not reduce business opportunities on demand response markets**

## 4. Recommendations (1/2)

- **Develop a clear market model for Smart Grids and Demand-Side Participation** that clarifies the roles and responsibilities as well as the interactions between suppliers and DSOs: EURELECTRIC has made a first proposal
- **Adopt an interface model with supplier as major point of contact** to enhance **customers' awareness and participation**
- **Support a market-driven approach based on customer preferences**
- **A new set of agreements between suppliers and DSOs to ensure the core competencies of both are put to best use**

## 4. Recommendations (2/2)

- **Remove regulated prices for customers** (or make them market-reflective) and ensure grid tariffs reflect actual costs
- **Design regulatory incentives** that encourage DSOs to invest in a smarter distribution grid, including innovative and ICT-based investments and **define who is responsible for the roll-out of smart meters** and how the costs of this roll-out should be recovered
- **Improve the functioning and interconnection of wholesale markets**
- **Access to information (technical and commercial)** by market and system actors is crucial, regardless of the 'data hub' model chosen

**The Report “EURELECTRIC Views on Demand Side Participation: Involving Customers, Improving Markets, Enhancing Network Operation” is now available on our website under [www.eurelectric.org](http://www.eurelectric.org)**



**Thank you for your attention !**