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Encouraging Flexibility in Electricity Market Design

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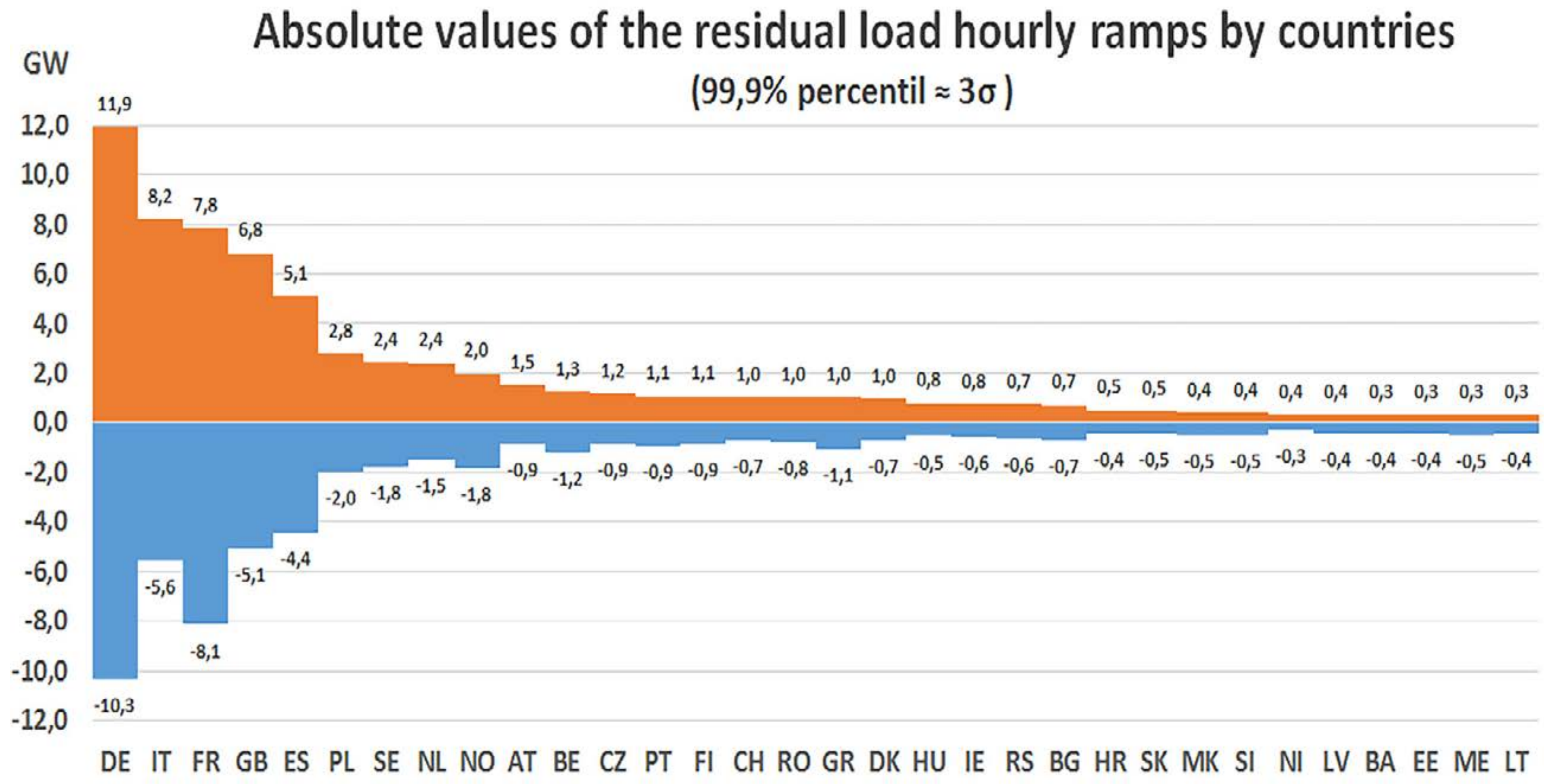
The Flexibility Challenge



Implicit vs Explicit Demand Response

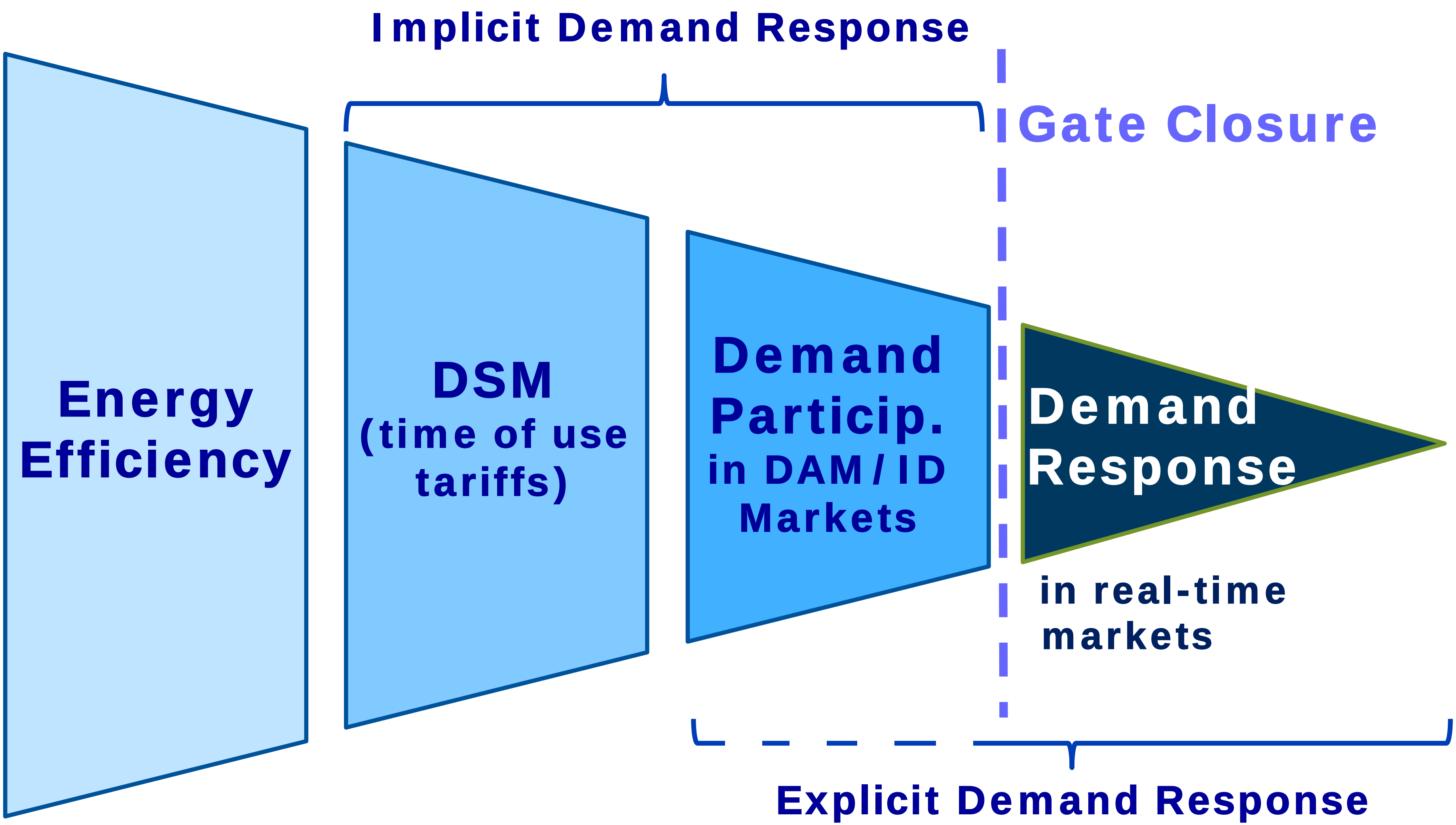
Implicit Demand Response

- Consumers:
  - choose to be exposed to *time-varying electricity prices and/*or *time-varying network tariffs*
  - react to those price differences depending on their own objectives, possibilities and constraints

Explicit Demand Response

- Demand response in real time, sold upfront on electricity markets, directly by large industrial consumers or through demand response service providers
- Consumers receiving a specific reward to change their consumption upon request (and possibly to commit to respond)

Demand-Side Engagement



Availability vs Activation - Compensation

- In **Implicit Demand Response**:
  - No distinction between Availability and Activation
  - Resulting schedule to be respected in real time
- In **Explicit Demand Response**:
  - Availability: traded and paid in long-term (capacity) or short-term (reserve) markets
  - Activation: in real-time (balancing) markets
- **Compensation**
  - Activated (Explicit) Demand Response:
    - reduces demand (consumption) wrt to schedule (i.e. what otherwise should have been respected)
    - should be paid (as energy - by the TSO)
    - relates to energy which was scheduled, and therefore bought and paid/payable

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Thank you for your attention

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