

C13-PC-71: Regulatory and Market Aspects of Demand-Side Flexibility

Thank you for participating in the CEER public consultation on Regulatory and Market Aspects of Demand-Side Flexibility.

To aid responses, CEER has prepared a number of sample answers. **These are for guidance only, and do not represent the views of CEER and/or its member organisations.**

Please note: a sample response is not provided for every question.

1. What do you see as the main opportunities and benefits for demand-side flexibility in existing/future markets and network arrangements?

Existing markets

*“**SUPPLIER X** is an established provider of demand-side services, principally through the use of ToU tariffs to domestic customers. Offering domestic consumers innovative products represents the main opportunity in the existing market as most industrial consumers able to provide/contract for DSF services are already engaged in this area.”*

When responding, please indicate clearly:

- The technology/service you are referring to.
- The type of market (e.g. balancing markets) your response relates to.
- What type of customers (domestic/non-domestic), market share/your response refers to.

Future markets

*“**SUPPLIER X** is currently considering developing new DSF products capable of being explicitly valued to enable participation in the electricity balancing market. There is also a significant role for demand response measures in the capacity mechanism which is currently under development by the [xyz] government, and we view this as a key future development area for the company”*

When responding, please indicate clearly:

- The technology/service you are referring to.
- The type of market (e.g. balancing markets) your response relates to.
- What type of customers (domestic/non-domestic), market share/your response refers to.

Existing network arrangements

*“**AGGREGATOR X** considers there to be a small but valuable opportunity at the distribution network level, in providing constraint management services to DSOs for particular purposes/at certain points in time”.*

Please indicate clearly the technology/service/opportunity your response refers to.

Future network arrangements

*“**AGGREGATOR X** is interested to explore how new, innovative DSF products and services – potentially involving domestic consumers in active demand-response – could operate under future charging and cost recovery*

arrangements. The company feels that a greater ability to manage demand will bring significant benefits in managing strain on the distribution networks, potentially resulting in deferred investment in new network infrastructure”.

Please indicate clearly the technology/service/opportunity your response refers to.

Other

“RES CAMPAIGNER/NGO – The ability to shift and more flexibly manage demand represents a huge opportunity to utilise existing generating plant at maximum efficiency, and to integrate the increasing proportion of renewable energy sources (RES) into the market. A substantial role for DSF in future market arrangements will therefore provide environmental and security of supply benefits”.

When responding, please draw out the wider implications (e.g. environmental benefits) associated with demand-side flexibility

2. What do you see as the main barriers to the emergence/functioning of demand-side flexibility? Please identify, prioritise and explain the key barriers and highlight any essential preconditions

Legislative barriers/difficulties

“SUPPLIER Z would like to highlight the importance of continued progress towards Third Package implementation in ensuring the emergence / functioning of demand-side flexibility in the market”.

Regulatory barriers/difficulties

“AGGREGATOR Z wishes to highlight that the emergence/functioning of innovative domestic demand-side services will in part depend on an appropriate balance being found between consumer protection issues and the need for competitive access to consumption data”.

When responding, please explain in detail (e.g. what regulatory rules/arrangements might be needed etc.)

Market barriers/difficulties

*“MARKET PLAYER Y considers a level playing field for suppliers and aggregators is important for demand response to function at an optimum level. The current market rules **xy** and/or access rules **yz** need to be adapted to improve the conditions under which demand response can play an optimum role”.*

When responding, please explain in detail (e.g. what market arrangements might be needed etc.).

3. In what way will the implementation of the Energy Efficiency Directive (2012/27/EU) affect your organisation/involvement with demand-side flexibility arrangements? Please make particular reference to Articles 15 (4) and 15 (8), and Annex XI in your response (as summarised in the consultation document, Appendix 4)

“DSF SERVICE PROVIDER Y: The removal of the XYZ incentive for distribution tariffs (which is foreseen for early 2015) will make it possible for our company/organisation to provide cost-effective demand-side flexibility services. This is foreseen under Article 15 (4) of the EED”.



4. Have you undertaken/are you aware of studies examining the cost-benefit of demand-side flexibility measures and/or their cost-effectiveness relative to other measures? Please use the tool provided to upload any relevant documents or indicate a website link from your country or organisation; please try to provide English-language versions where possible.

*“**SUPPLIER X:** In 2011 our company conducted an in depth cost-benefit analysis (examining x, y, z) which resulted in a decision not to offer bilateral interruptible contracts with some of our large industrial customers. We intend to conduct a further CBA when we believe the market conditions have progressed to the extent necessary to make demand response services more profitable in the long term.*

We are prepared to share the key findings of this CBA, and have uploaded them to the CEER website”.

5. Are there any other/wider considerations which we should take into account? For example, policy developments and technical standards.

*“**ENERGY SECTOR STAKEHOLDER X:** Across the EU, the phasing out of regulated prices is still progressing too slowly to allow proper price signals to be provided to market participants, hindering the potential for DSF to play a full role in the market”.*