

CEER Citizens' Q&A

Principles for valuation of flexibility

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1 What are principles for valuation of flexibility?

As described in more details in the CEER discussion paper “Scoping of flexible response”¹ (C16-FTF-08-04 from 3 May 2016), increasing flexibility is crucial for an affordable and reliable operation of (future) power systems with a larger proportion of variable renewable energy sources such as sun and wind. As flexibility from both the generation- and demand-side has the ability to improve the efficiency of the electricity system and contribute to security of supply, they should be treated at a level playing field.

To support an efficient utilisation of all flexibility resources this position paper includes principles for valuation of flexibility.

2 What does this memo propose for principles for valuation of flexibility?

The regulatory framework should allow all grid users to draw value from their flexibility, including through demand response and decentralised generation, as considered efficient. This paper introduces principles related to market arrangements, product requirements, metering and settlement, aggregation, verification and information exchange.

3 How does it work?

Flexibility is valued in existing markets, and can also be useful for grid purposes, such as ancillary services. Consumers have the possibility to utilise flexibility through the existing supplier, via an aggregator, but also via independent flexibility providers if they are introduced in the national market arrangements.

¹ http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Electricity

4 Why is this important for energy customers? What is the impact on energy customers?

The cost efficiency of power supply and overall system security can increase from a more flexible demand and the aggregation of flexibility resources from both consumption and generation units. Aggregation can support the identification of possible sources of flexibility (for instance embedded flexibility at the consumer/prosumer location), and help customers to value their flexibility in different markets. This implies that the consumer to a higher extent will have the possibility to actively participate in energy markets.