



CEER

**Council of European
Energy Regulators**

Ensuring Market and Regulatory Arrangements help deliver Demand-Side Flexibility

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EU Sustainable Energy Week

Brussels, 26 June 2014

Introduction to CEER's work on Demand-Side Flexibility

- Who are we?

- ▶ The Council of European Energy Regulators acts as the voice of Europe's national regulators of electricity and gas at EU and international level
- ▶ We cooperate and exchange best practice to meet the objective of a competitive, efficient and sustainable European internal energy market that works in the best interests of consumers
- ▶ We work closely with (and support) the Agency for the Cooperation of Energy Regulators (ACER). CEER's members (from the EU) are also very active within ACER
- ▶ Our work is complementary and focuses on different policy areas

Introduction to CEER's work on Demand-Side Flexibility

- Why Demand-Side Flexibility?

- ▶ The Energy Efficiency Directive (2012) places certain requirements on regulators to promote the demand side
- ▶ There are huge potential benefits if we can harness DSF and make it work in the best interests of European consumers
- ▶ This paper (“Advice” in CEER terminology) explores at a high level the emergence of Demand-Side Flexibility. It’s published today on our website.
- ▶ Process included an internal survey of regulators, a public consultation and workshop to which there was a big response. Thank you.
- ▶ Today, we have representatives from the Commission, GEODE, the German regulator (BNetzA)

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Joseph Gildea (Ofgem)

EU Sustainable Energy Week

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Fostering energy markets,
empowering **consumers**.

Agenda

- *Energy markets are evolving...the challenge*
- *But also opportunities*
- *How to deliver Demand-Side Flexibility*
- *Who benefits?*

Some seemingly random questions

- Are you a light sleeper?
 - ▶ Would you mind if your washing machine was programmed to come on during the night?
- How cold do you like your orange juice in the morning?
 - ▶ What if your energy supplier was able to remotely adjust the temperature of your fridge?
- How good is your eyesight?
 - ▶ How about if your local distribution network dimmed the lights in your house?



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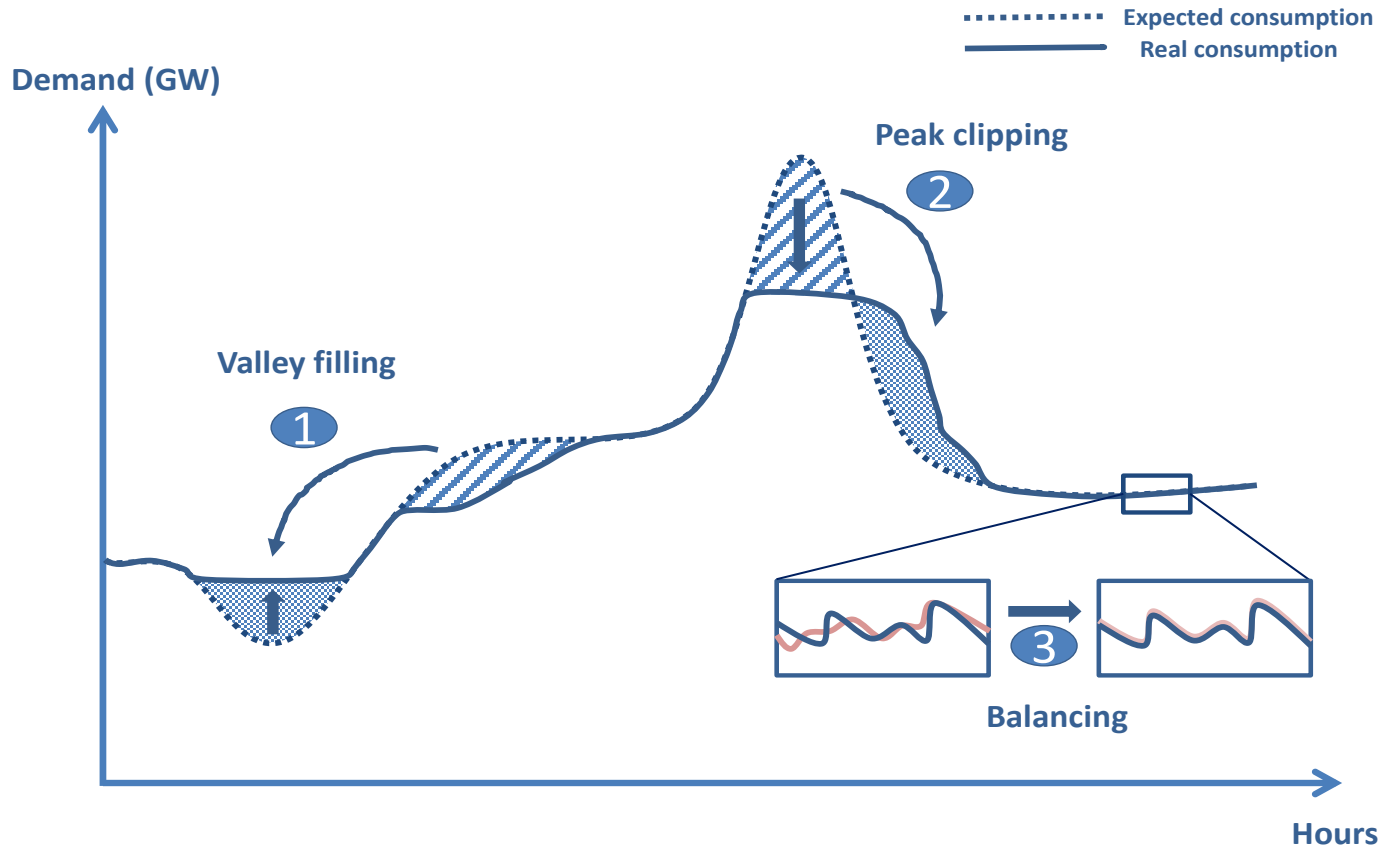


Energy markets are evolving...challenges

- Massive changes in energy system due to environmental policy and technological advance
 - ▶ Increased amount of intermittent Renewable Energy Sources (RES)
 - ▶ Distributed generation; new market players
 - ▶ Technology: smart meters, smart grids; increased electrification of heat and power
 - ▶ Security of supply concerns
 - ▶ Consumers: increasingly aware and concerned (prices, trust, privacy, the environment)
- **Demand-Side Flexibility is part of the response**



Explanation of Demand-Side Flexibility

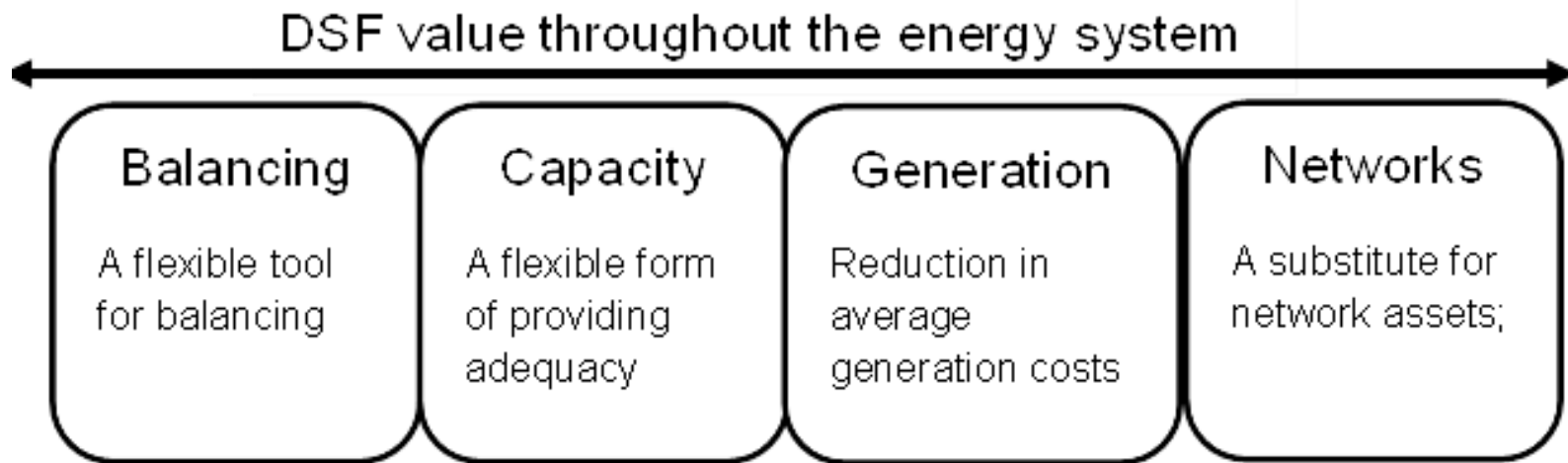


Agenda

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Where's the value?



Agenda

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- *But also opportunities*
- **How to deliver Demand-Side Flexibility**
- *Who benefits?*



Where we are currently?

- Stakeholders view DSF as so far mainly offered **by large industrial consumers** and mainly in **balancing markets**
- For smaller consumers, DSF is so far **not a real option** although some countries enable them to participate either independently or through an aggregation service provider
- Energy markets are **today managed from the supply side** – in **future need to manage them also from the demand side**

Anything in our way?

- Some difficulties* to be overcome
 - ▶ Clearly established roles and responsibilities among market players
 - ▶ DSF needs access to all markets (balancing, wholesale, retail, capacity)
 - ▶ The changing role of the DSO
 - ▶ Competition between the market players (new and incumbents)
 - ▶ Existing price regulation hinders DSF
 - ▶ Technological compatibility, measurement & verification, smart meters
 - ▶ **Consumer awareness, engagement & understanding**

High level Principles governing Demand-Side Flexibility

- As a high-level outcome CEER wants to **unlock the value of demand-side flexibility for the provider/customer**. This requires:
 - ▶ That consumers and market participants have the necessary information and tools to adequately and effectively engage in the market
 - ▶ A market free from barriers that promotes equal access for all parties and new entrants, through interoperable standards and arrangements
 - ▶ A regulatory framework that is flexible enough to adapt in an evolving market

High level Principles governing Demand-Side Flexibility

- **More specifically:**
 - ▶ **An independent party should facilitate the administration of the different exchanges (energy, information, financial) between commercial parties**
 - ▶ **There should be processes to ensure that all parties have visibility of the DSF actions taken by any one party which impacts their business**
 - ▶ **Distortions to market signals that would unfairly advantage or disadvantage DSF should be avoided – need a level playing field**
 - ▶ **DSF should be considered alongside traditional network reinforcement options by TSOs and DSOs**

Recommendations

- 6 short term recommendations
 - ▶ Roles and responsibilities clarified
 - ▶ The role of DSOs (and network tariffs)
 - ▶ Standards and methodologies
 - ▶ European network codes maintain a focus on demand side
 - ▶ Continue to quantitatively assess/compare DSF across the EU
 - ▶ Market and regulatory arrangements allow system-wide benefits to be passed on to end-use consumers



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Back to those random questions

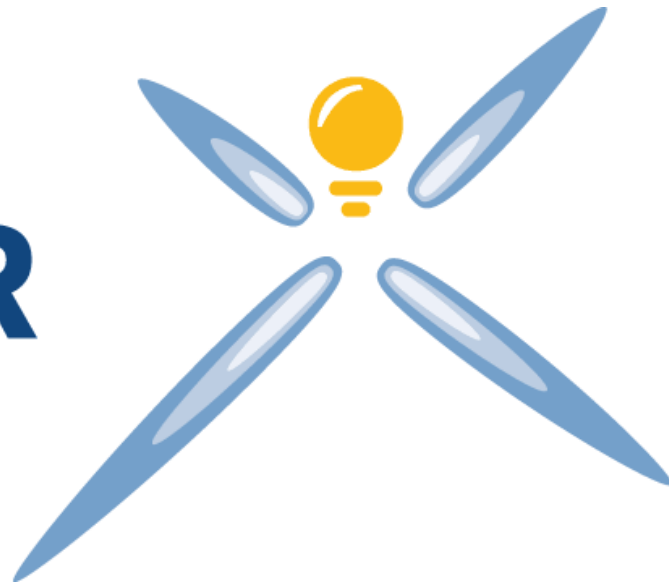
- To the light sleepers
 - ▶ What if you were to save 100 euros a year on your electricity bill, and you had new appliances that didn't wake you up at night?
- To the OJ lovers:
 - ▶ Can you really tell the difference? Wouldn't you allow that if you thought it contributed to saving the environment, and you saved some money?
- To the night readers:
 - ▶ What if this only happened when you weren't reading – if you had an opt out or override option? And again, you paid less for energy
- **CEER wants to unlock the value of DSF for all parties**



Thank you for your attention

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