

## CEER Citizens' Q&A

### CEER Paper on DSO Procedures of Procurement of Flexibility

16 July 2020

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#### 1 What are DSO procedures of procurement of flexibility?

Distribution System Operators (DSOs) are responsible for operating and investing in the distribution networks, in order to transport electricity (and gas – but the referred-to paper only focuses on electricity DSOs) to and from their network users. Significant changes in the European energy system over the last decade have been driven by increasing deployment of intermittent renewable generation, decarbonisation, and digitalisation. One way of managing these changes and ensuring secure and efficient system operation is through procurement of flexibility by DSOs.

Flexibility is the capacity of the electricity system to respond to changes that may affect the balance of supply and demand at all times.

DSOs procuring flexibility should support the move towards an affordable, secure and efficient power system.

At the distribution level, the need for the use of flexibility to benefit the grid will increase as a result of the ongoing energy and electricity system transition.

#### 2 What does the paper propose for DSO procedures of procurement of flexibility?

This paper builds upon earlier CEER work on flexibility in the distribution network<sup>1</sup> and in general adds new insights to the topic, including aspects for national implementation of European laws. Most importantly, Article 32 of the new EU Directive (2019/944) on the internal electricity market from the Clean Energy for All Europeans package is addressed in detail as this provides the legal basis for flexibility use in the electricity market.

The paper discusses the flexibility needs of DSOs and provides an overview of the key principles that are relevant for assessing if procurement of flexibility or other mechanisms enabling DSOs to access flexibility such as Network Tariffs, Rules-Based Approaches or Connection Agreements are better suited for efficient operation.

For the implementation of procurement of flexibility, the following principles are recommended in the paper:

- Incentives;
- Neutrality and unbundling;
- Technical prerequisites and operational principles; and
- A framework for market-based procurement.

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<sup>1</sup> For instance, the [CEER Conclusions Paper on Flexibility Use at Distribution Level](#), Ref: C18-DS-42-04, 17 July 2018. See also the Citizens' Q&A for that paper, which discusses why flexibility is important.

### **3 How does it work?**

With this paper, CEER aims to facilitate efficient implementation of flexibility use at distribution level. It elaborates the different options to do so and lists principles and elements of a framework for efficient procurement of flexibility.

### **4 What is the impact on energy customers?**

The changes that European energy systems have seen over the last decade create opportunities for new approaches to more efficient network use and system operation. Taking measures to assure efficient use of flexibility at the distribution level, is one such opportunity that can bring about consumer benefits, such as:

- Lower current and future network costs;
- Avoiding the need to curtail renewable energy for system reasons, thereby, allowing energy with lower prices into the system;
- Enabling demand-side participation, giving consumers opportunities to sell their flexibility (e.g. by changing their energy consumption in times of high demand at the distribution level) and save on their electricity bills;
- Increasing transparency as a result of DSOs sharing information on the status and/or needs of the network; and
- Improving the quality and reliability of supply by offering DSOs alternative solutions for operating and developing the distribution network.

Therefore, CEER believes that to have an efficient electricity system that facilitates flexibility use will help to lower bills for all energy consumers. Thus, well-functioning procurement of flexibility by DSOs is of interest to any energy consumer.