

New Network Code on Demand Response central lever for cost-efficient energy transition

EPEX SPOT welcomes submission of proposal to ACER

Paris, 14 May 2024. The European Power Exchange EPEX SPOT welcomes the submission of the proposal for a Network Code on Demand Response by ENTSO-E and EU DSO Entity to ACER. This new regulatory piece is to become a central lever in ensuring a cost-efficient energy transition, since it will simplify market access for demand response and promote market-based flexibility procurement, to eventually reduce the costs related to congestion management as well as grid extensions.

Demand-side flexibility such as industrial and commercial consumers (and in some cases aggregated residential consumers with smart meters), as well as batteries, can already today increase or decrease their electricity consumption at certain moments in time. By doing so, they can increase or reduce load on the grid and thus support system operators in avoiding localized grid congestions. This can be organised via a Local Flexibility market as offered by EPEX SPOT. By formalising the market-based procurement and integration of demand-side flexibility via a Network Code, regulation formally acknowledges the link between Local Flexibility markets on one hand and the reduction of costs related to congestion management on the other hand. EPEX SPOT believes that this Network Code is central for the European-wide development of the new market segment of Local Flexibility markets and the achievement of a cost-efficient energy transition.

The proposal for this Network Code on Demand Response has been elaborated by the drafting committee consisting of ENTSO-E and EU DSO Entity over the past 14 months and has been delivered to ACER on 8 May 2024. The drafting process was supported by regular drafting committee meetings that enabled external stakeholders to voice their views throughout the process.

“We warmly welcome that the drafting process for such a central European regulation has been organised in an efficient, transparent and open manner” comments Davide Orifici, Director of Public & Regulatory Affairs of EPEX SPOT. “We now count on ACER to further develop this draft in a way that fully unlocks the potential of market-based approaches.”

In this context, EPEX SPOT brings forward five considerations for further improvement of the Network Code on Demand Response:

1. Ensure barrier-free access of demand response to wholesale, balancing and Local Flexibility markets through standardisation of products, processes, and technical standards while avoiding combined markets and forwarding of bids. Local Flexibility markets fulfil a different purpose than Day-Ahead and Intraday markets on one hand and balancing markets on the other hand. Therefore, they should remain separate.
2. Secure the operation of local markets by neutral third parties such as power exchanges. They retain best the requirements and ensure efficiency, neutrality as well as technical expertise.
3. Promote more strongly and clearly market-based flexibility procurement of congestion management services by system operators over cost-based or regulated price setting approaches.
4. Set stronger incentives to system operators to engage in market-based flexibility procurement.
5. Foster DSO-TSO coordination to solve congestions in the most efficient ways.

EPEX SPOT looks forward to ACER’s consultation of this proposal and is standing ready to contribute to its further improvement. By fully unlocking the potential of demand-side flexibility for the power system, we make the energy transition more cost-efficient.

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The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in 13 countries: in Central Western Europe, the United Kingdom, Switzerland, the Nordics and in Poland. Furthermore, EPEX SPOT newly offers local flexibility markets solution and Guarantees of Origin auctions, to foster the integration of renewable energy sources and to enhance the engagement of consumers and producers in the power market.

As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT is committed to the creation of a pan-European power market. Over 400 trading members are registered on EPEX SPOT. 49% of its equity is held by HGRT, a holding of transmission system operators. For more information, please visit www.epexspot.com.

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