

Efficient Local Flexibility markets require economic incentives along with highest operational standards

EPEX SPOT responds to ACER consultation on new Network Code Demand Response

The European Power Exchange EPEX SPOT submitted its response to the ACER consultation on the Network Code Demand Response. This Network Code will govern the market-based integration of demand-side flexibility, stemming from industry, batteries, electric vehicles, heat-pumps, etc., into the power system.

Unlocking the potential of demand-side flexibility to reduce pressure on the power system is one of the central challenges of the energy transition. By intelligently using demand-side flexibility, when and where it is most needed, pressure on the power system, notably on transmission and distribution grids, can be reduced significantly, hence contributing to foster the security of supply of system operators. In the context of the intermittent electricity production from renewables, the pressure on the power grid rises due to the non-constant feed-in of electricity. This creates imbalances that generate high costs partly born by end-consumers. Costs for redispatch amounted to 3.1 billion euros in 2023 in Germany alone. According to calculations by Smart Energy Europe, the efficient establishment of Local Flexibility markets can lead to 11-29 bn Euros of infrastructure savings per year in Europe.

EPEX SPOT welcomes ACER's proposal of the Network Code Demand-Response which strongly promotes market-based flexibility procurement over cost-based or regulated price-setting approaches. "We are fully in line with ACER's view that the benefit of a market mechanism in this context is undeniable. Only via a market-based approach we can efficiently bring together flexibility offer and demand at the best price, including the variables of time and location" confirms Davide Orifici, Director Public & Regulatory Affairs and Communications.

EPEX SPOT proposes the following amendments in order to improve the Network Code Demand Response: Setting state of the art requirements for the operation of Local Flexibility markets is of utmost importance. They shall include neutrality, transparency, proven expertise, and resources as well as highest Market Surveillance standards. "In the European Union, in order to operate electricity markets, best in class standards overseen by competent authorities have to be fulfilled. Local Flexibility markets should not be an exception, in order to secure market integrity from the start. Power Exchanges such as EPEX SPOT have a proven track record of operating Local Flexibility markets according to the highest standards" underlines Davide Orifici.

A further point to be improved in the draft of the Network Code, according to EPEX SPOT, is to ensure multi-market access for flexibility providers: They should be able to freely choose on when and on what type of market – wholesale, flexibility or balancing market - they become active, in order to build a solid business case around the management of flexible assets. In this context, EPEX SPOT explicitly warns of combined markets with forwarding of bids – a blurry concept which raises practical implementation questions, and brings fundamental contradictions such as the mixing of monopolistic with competitive markets, without bringing clear benefits. The types of markets should remain distinct, as they all produce meaningful distinct price signals that serve a different purpose to the power system.

Finally, EPEX SPOT welcomes the rightfully addressed incentives for system operators to engage in market-based flexibility procurement and the recognition of the importance of coordination between Distribution and Transmission System Operators to efficiently solve congestions.

The summary of the consultation response is available [here](#). In order to consult the detailed consultation response submitted by EPEX SPOT, click [here](#).

-ENDS

The European Power Exchange EPEX SPOT operates physical electricity markets for the largest trading community in Europe, with over 400 companies connected to our platforms. Committed to innovation, we deliver a full range of services across the value chain of electricity trading, with the highest standards of performance. Our gateway of market solutions includes Day-Ahead, Intraday and After-market power trading, Capacity and Guarantees of Origin auctions, Local Flexibility and Data services.

Building on its unique expertise as a co-creator of the Internal Energy Market for electricity, EPEX SPOT's services span over 19 countries: From power trading across Central Western Europe, the United Kingdom, Switzerland, the Nordics, and Poland to Market Operation services in Ireland, Hungary, Montenegro, North Macedonia, Serbia, and Slovenia.

As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT enables a price-responsive power system for consumers and producers alike, to achieve a competitive and climate neutral Europe. 49% of its equity is held by a holding of major European Transmission System Operators.

For more information, please visit www.epexspot.com.

CONTACT

EPEX SPOT SE
T +33 (0) 1 73 03 61 33
press@epexspot.com

More information:

www.epexspot.com
www.eex-group.com