

ENTSO-E Advisory Council: Strategic Advice on Pilot Projects on Flexibility

Background

- The market is being confronted with a wide range of pilot projects being launched by TSOs and DSOs with their partners.
- Examples are Internet of Energy (Elia), Equigy (TenneT, Swissgrid, Terna), Nodes (Agder), Enera (TenneT, Avacon Netz and EWE NETZ), Gopacs (TenneT, Stedin, Enexis, Liander, Westland).
- There are undoubtedly differences between these projects, including on their functioning. But most importantly it becomes increasingly confusing for the market to fully understand their objectives at an individual level.
- One common trend we seem to have identified is that they all aim to facilitate or foster flexibility, including demand-side flexibility in particular, to support system management at local level and beyond.
- There is no doubt that flexibility options, in particular also from the demand side, should play a role in matching demand and supply and in congestion management, and that demand side options should be able to compete with storage and generation on a level playing field. We should uphold this principle of the EU Electricity Directive and Regulation.
- Regarding matching supply and demand, i.e. energy trading, work is ongoing at EU level to ensure a level playing field between all market participants in all timeframes, from the forward market to balancing. Further efforts are still needed to ensure the removal of national barriers to equal access and opportunities.
- Regarding congestion management, the EU Electricity Regulation requires market-based redispatch by DSOs and TSOs. This means that redispatch (or congestion management) services need to be procured and compensated in a market-based way. However, that does not mean that actual markets for redispatch need to be established. The very different rules applying in each Member State and the lack of clear guidance from EU legislation on which model(s) to apply, there is a risk of market fragmentation on the one hand, and possible threats to the principle of unbundling on the other hand.
- Rather than maintaining these question marks and leaving TSOs and DSOs to a race to develop the “winning platform”, we believe it is the role of EU bodies to clarify these points and set the right conditions to enable the take up of demand side flexibility.

Advice

The Council advises ENTSO-E to work, in cooperation with DSOs and market participants, on:

- clarifying the following issues before launching or supporting new pilots and platforms:
 - contribute to an analysis of the gaps in the existing framework for demand side participation in energy markets (including balancing) and congestion management procurement, and of the need for local flexibility markets. Contribute to a problem description and inventory of possible remedies, paying attention to the interaction between local flexibility markets and wholesale markets, and to the role of TSOs/DSOs in establishing platforms as a regulated activity.
- contributing to identifying and sharing good practice that emerges from different projects and identifying how the projects can lead towards the next stage of a broader application beyond the pilot stage.