

August 2022

UFE's reply to ACER's public consultation on the draft framework guideline on demand response

UFE welcomes the significant work that has been done ahead of the publication and thanks ACER for the opportunity to comment on the draft framework guideline on demand response.

Flexibility will be a key element of tomorrow's electricity system, and its development is required to achieve a successful low-carbon energy transition. As such, the framework guideline heads in the right direction, as it clarifies the participation of distributed generation to wholesale markets and the operation of local flexibility markets, which both participate in the development of flexibilities.

Although UFE supports the main principles that have been set out in the draft framework guideline, we would like to draw attention to the following points.

1. Scope and consistency with existing legislation and network codes

The Electricity Directive considers all types of flexibilities to improve the cost-effectiveness of network design and operation.

- **UFE recalls that the framework guideline shall not favour certain flexibility mechanisms over others and must ensure the future network code is technology neutral.**

The scope of the future network code must be clarified.

- **As the framework guideline tackles all flexibilities related to consumption, storage and distributed generation, the demand response network code should be renamed more inclusively to remove any ambiguity on its scope.**

ACER suggests integrating in the future network code provisions on topics which are not related to demand response or flexibility. This is especially true for the procurement of frequency containment reserve (FCR), which would be more appropriately dealt with in the electricity balancing framework

guideline.

- For the sake of clarity, **UFE recommends amending existing legislations and network codes through dedicated separate procedures. This does not prevent the future demand response network code from being elaborated in consistency with existing legislation**, especially regarding the interactions between local congestion management mechanisms and balancing mechanisms.

2. Timelines

Overall, UFE is concerned about the achievability of some of the timelines proposed in the **framework guideline**, as the maturity of flexibility is heterogeneous from one Member State to another. Some of the requirements set out in the framework guideline seem unrealistic for the least mature countries, and would be too costly for system operators if implemented in the proposed timelines, without a “test and learn phase”. Setting too high standards from the beginning risks undermining the confidence of market participants in the network code, and ultimately harming the development of demand flexibility.

- **UFE recommends adopting a step-by-step approach instead of aiming at a too fast implementation of the target model.** The initial set of rules must be reduced to the strict essentials, leaving room for evolution based on national specificities and different voltage levels afterwards.

3. Harmonisation at European level

Harmonisation of demand response is needed to encourage the development of competition. However, as rightly highlighted by ACER, the retail market is mainly designed at national level and each retail market is characterised by national specificities.

- **Harmonisation at European level should be limited to minimum technical and operational requirements. The framework guideline should remain flexible to ensure local specificities can be taken into account** at national level, whether in terms of different maturity of the SOs in terms of demand response, voltage level of the constraints or specific regulatory contexts.

4. Compensation rules

According to art.17(4) of the Electricity Directive, “Member States may require electricity undertakings or participating final customers to pay financial compensation to other market participants or to the market participants' balance responsible parties”. ACER proposes to further

specify and regulate the compensation rules within the scope of the network code.

- **UFE does not support introducing provisions related to the compensation rules in this framework guideline**, as the Electricity Directive has clearly left this topic as a matter to be defined at Member States level.

5. Imbalance settlement

ACER intends to promote multiple market participants (including service providers) to be simultaneously active behind a single metering point in the new rules. This will probably be complex from an operational perspective for DSOs and won't allow for a proper assessment of the actual service provided by each market participant, nor ensure the provisioning of the flexibility services expected by system operators.

- **As a first step, UFE supports only one market participant, in addition to the supplier (BRP responsible for the imbalance of the site) to be active behind the metering point of a connection point.**
- **In the meantime, ACER should analyse European experiments on sub-metering and on multiple service providers active behind the meter. ACER may, afterwards, propose a clear vision on this topic and open it to a further consultation.**

6. Network development plans (NDP)

According to the draft framework guideline, the new rules shall establish principles for DSO's network development plans, especially general methodological principles and guidance on how to take into account demand response and other relevant resources.

- **Although network development plans are related to flexibilities, no provision on their development should be included in the network code, as NDP's are not relevant to identify individual flexibility opportunities, especially at medium voltage and low voltage.** Besides, moving toward identical NDP methodologies would harm the independence of system operators and could lead to significant adaptation costs.

7. Interactions between system operators

The framework guideline must ensure that each system operator can promote the development of flexibilities while continuing to guarantee the safe and efficient operation of its network. Therefore:

- The framework guideline must enable various mechanisms and models to allow system

operators to manage congestion and control voltage on their network. In particular, **each system operator must be allowed to activate, on a merit-order basis, all levers including flexibilities connected to its network and neighbouring network flexibilities** (e.g. TSO expressing to DSO its congestion management and voltage control needs at the TSO-DSO interface).

- Considering the local dimension inherent to solving grid congestion, guidelines must state that solving grid congestion needs to take precedence over balancing needs.