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# UFE response to ACER consultation on prioritising the removal of barriers to electricity demand response

## Introduction:

As a preamble, UFE points out that the ACER report shows that the regulatory framework for demand response and other distributed energy resources is relatively mature in France, and that there are few barriers to entry compared with other European countries.

The ACER report indeed stresses that France is particularly advanced (the indicators assessed do not show a high level of restrictions) with regard to the following barriers:

- **Proper legal framework to allow market access:** France has defined the main roles and responsibilities of new entrants and small actors (active customer, independent aggregator, citizen energy communities) in line with the Clean Energy Package
- **Incentives to provide flexibility:** France has a significant level of smart metering roll-out, a good penetration of ToU network tariffs, a national legal framework on dynamic electricity price contracts as required in the Electricity Directive, as well as diverse national measures to improve consumer awareness on demand response
- **Requirements to providing congestion management:** whereas most of the other European countries, congestion management measures in France are based on market-based procedures, at transportation and distribution level, and fully opened to new actors and distributed energy resources
- **Requirements to participating in balancing services and capacity mechanisms:** the participation of demand response and distributed energy resources has been steadily increasing over time in the French balancing services and capacity mechanism

## Areas of Improvement:

Nevertheless, as ACER report points out, there is still room for improvements in the French regulatory framework. In this context, UFE would like to make the following comments:

➤ **Legal framework on aggregation models:**

As pointed out by ACER that recalls that the national rules should define at least one aggregation model, aggregation models are necessary to ensure participation of distributed energy resources through aggregation in all electricity markets. **UFE calls for a single aggregation module not to be imposed, and for flexibility in the implementation of demand-response to take into account site profiles and different consumer categories.** In this respect, UFE points out that France applies at least 2 aggregation models adapted to the configuration of sites and market mechanisms (regulated model for single-contract sites, corrected model for remotely-metered CARD sites, or even contractual model for mixed injection + storage sites).

➤ **Access to data:**

The article 19d of the Regulation amending Regulation (EU) 2019/943 provides that *"No later than 6 months after the submission of the report [on the estimated needs for flexibility] each Member State shall define, based on this report, an indicative national objective for non-fossil flexibility, including the respective specific contributions of both demand response and energy storage to that objective. [...] This indicative national objective, including the respective specific contributions of demand response and energy storage to that objective, as well as measures to achieve this objective shall also be reflected in Member States' integrated national energy and climate plans as regards the dimension.*

In this context, UFE stresses the importance of continuing to improve access to demand response data, and calls for:

- **Extending the scope of the capacity mechanism as an indicator of demand response capacities to implicit demand respond capacities:** The development of demand response in France is currently measured by the volumes certified or declared (explicit or implicit) on the capacity mechanism. Demand response remains strongly correlated with PP1/PP2 days, so the capacity mechanism register remains useful as an indicator of explicit demand respond capacity that can help control peak consumption. However, this register must be supplemented by implicit demand response capacities. Although it is currently possible to declare implicit demand response on AL-1, AL and AL+1, this declaration is not systematically made by all suppliers, which makes it difficult to ensure the reliability of the data for France as a whole. **Better visibility on this category of demand response could be obtained by introducing a system for declaring annual capacity mobilized by supplier to RTE or another player (e.g. representative of the sector).**
- **Providing market participants with visibility on progress towards national target by publishing an annual update on existing demand response capacity :** Annual visibility in the capacity mechanism register of progress against national target would be useful to

encourage investment in demand response capacity. In addition, a greater level of detail on the figures currently published by RTE would be welcome, including a breakdown by sector of activity.

➤ **Time-differentiated network tariffs and retail electricity contracts with time-differentiation**

As pointed out by ACER, Time-differentiated or Time-of-Use (ToU) network tariffs can be a useful tool for reducing network peak-load, which is the main driver for network investments, thereby promoting network efficiency. In this context, **UFE stresses that by August 1, 2024, all the French customers connected to the distribution network will benefit from a four-index network tariff** (peak, off-peak, summer, winter).

In line with the 2019 directive, UFE reiterates that network tariffs must not create obstacles to flexibility, and as part of this generalization of the obligation for time-seasonalized network tariffs, **UFE calls for the baselines used to value flexibility to be adapted and the signals sent to consumers to be harmonized.**

UFE also emphasizes that **the high penetration in France of supply offers based on peak/off-peak hours** (more than 15 million customers out of a total of 36 million) **and the development of critical peak supply offers** (more than 1 million customers) **is a powerful lever for demand flexibility to serve the needs of the power system and networks.** Few of our European neighbors have done as much.

However, UFE stresses that the French regulatory framework can still be improved especially by:

- **Requiring home charging of electric vehicles to be controllable in particular through tariff management methods and signals consistent with the electrical system need to avoid charging during peak hours on the national level and to avoid generating constraints on a local level**
- **Generalizing control equipment for existing uses that are not controlled but have significant flexibility potential:** BMS (building management systems) for commercial buildings (made mandatory by the [BACS decree](#) by January 1, 2025 for all non-residential tertiary buildings, for which the heating or air-conditioning system has a rated output of over 290 kW and by January 1, 2027 for those rated at over 70 kW) as well as time-controlled thermostats for residential electric heating (made mandatory [by a decree by January 1, 2027](#)). In this respect, UFE advocates including support for control devices (such as programmable thermostats) in “MaPrimeRénov’ ” (my renovation bonus).

**In order to massively develop offers with differentiated time slots, UFE proposes to prohibit the subscription of single-price offers** (i.e. offers with no or insufficient price differentiation between off-peak and peak time slots) for all new contracts with a subscribed power greater than 9 kVA, whether TRV (regulated tariffs) or market offers. This measure, aiming at harmonizing regulated tariffs and market offers, requires joint work with the public authorities in charge of regulated tariffs

and market offers. **UFE calls for concerted work on this evolution**, starting in the first quarter of 2024, **enabling suppliers and consumers to fully anticipate these coming changes**. Lastly, **CRE could also examine the possibility of increasing the competitiveness of HP/HC (peak hours/off-peak hours) options**.

➤ **Restrictive requirements to providing balancing services:**

As highlighted by ACER, France still relies on non-market based procurement of balancing capacity. RTE thus procures aFRR capacity based on a regulated method with a regulated price (20.5 €/ MW/h).

UFE recalls that **existing flexibilities**, which are and will continue to be mobilized to satisfy the balance between supply and demand, **cannot be sustainably subjected to a regulatory framework that forces them to offer their service without being able to recover the cost**. Furthermore, **to ensure the development of the new flexibilities needed by the power system**, it is **essential that they benefit from a stable regulatory framework, giving them long-term visibility on all accessible markets that contribute to their value**.

In this respect, **the suspension by the French NRA of aFRR contractualization by call for tenders since November 2021 does not currently allow market participants to project themselves onto this market** and is therefore particularly detrimental to the development of flexibilities in France. Against this backdrop, **UFE, welcomes French NRA's announcement that the aFRR contractualization by call for tenders will be reopened in June 2024**.

Regarding balancing markets, UFE also calls for:

- **an improvement in the time required to certify reserve entities** (as pointed out by ACER, France was part in 2022 of the seven Member States which still had not regulated the maximum duration of the prequalification process and its intermediate steps in line with the System Balancing Regulation) **and for simplification of recertification requirements**, along the lines of the experiment currently underway on changes to the composition of a Diffused Reserve Entity (17.7 of the SSY rules).
- **a participation in the balancing mechanism via aggregated portfolio bids** (as is the case on the day-ahead and intraday markets), rather than unit-based bids as at present, which would increase the volume of eligible bids.
- **A greater participation of renewable energies in balancing services**, given the growing development of renewable energies in the European energy mix,

➤ **Restrictive requirements to participating in interruptibility schemes:**

As highlighted by ACER, the interruptibility scheme in France was in 2022 only open to capacity units connected to the transmission network that are above 25 MW, with no possibility of aggregation. Nevertheless, in 2023 the minimum eligible capacity and the minimum bid size have

been reduced to up to 10 MW and in 2024 the interruptibility scheme has been opened up to MV sites as part of an experiment, with the possibility of aggregation up to a limit of 100 MW.

While the possibility of aggregating MV sites is a step in the right direction, **UFE encourages the extension of aggregation possibilities in the French interruptibility scheme to HV sites.**

- **Participation of demand response and distributed energy resources in day-ahead and intraday markets, balancing services, congestion management services, and capacity mechanism:**

Regarding participation of demand response and distributed energy resources in market mechanisms, UFE would like to recall that:

- **The rules governing the participation of flexibilities in market mechanisms must be non-discriminatory** with regard to the technologies used and the seniority of the market participants.
- Market mechanisms must facilitate the participation of distributed energy resources capable of achieving the required technical performance **without compromising the quality of the service delivery.**

**UFE also calls for a study of ways to improve the existing PEAK and OFF-PEAK futures products:** the PEAK product, based on the hours 8am-8pm, no longer seems appropriate and no longer accurately represents periods of power system tension. A better adjustment of the PEAK and OFF-PEAK products to real supply-demand dynamics could therefore be sought. As a purely illustrative example, to respond to the growing development of renewable energy production, the new PEAK product could be based on these hours:

- Winter (November to February) : 6(or even 7)am-11am + 5pm-9pm
- Rest of the year : 6(or even 7)am-9am + 7pm-9pm.

**In order to encourage the development of demand response, particularly aggregated demand response on small scale consumption sites, on all market mechanisms (NEBEF, Ancillary Services, Balancing Mechanism, etc.), UFE is calling for a wider range of load reduction check methods :** as the PPE is required to value all flexibilities, it is necessary to provide a load reduction check method adapted to each segment, particularly for implicit residential flexibilities, which cannot currently be valued. DSOs and TSOs therefore need to develop suitable methods and thus provide a formal framework for exploiting residential/tertiary/aggregated flexibilities:

- The “panel method” proposed by Enedis is a suitable method for mass-market demand response (LV withdrawal sites ≤ 36 kVA), which could be implemented as part of EIFs (Effacements indissociables de la fourniture or in English, load reductions inextricably linked with supply) or local flexibility contracts. In the long term, and following discussions led by RTE, this method could be included in the catalog of load reduction check methods for all market mechanisms (NEBEF, Balancing Mechanism, etc.), making it possible to

massify aggregated demand response, particularly for individual consumers.

- Other statistical methods developed by Enedis, such as the "k-nearest-neighbor method", are particularly well suited to renewable energy production sites (solar, wind, run-of-river hydro). They are already used for local flexibilities, as well as for contractual indemnities paid by Enedis to producers in the event of unavailability of the public distribution network.

**Concerning the French demand response call for tenders (AOE) and the French capacity mechanism, UFE is calling for the calendars to be harmonized:** the AOE Crise extends the demand response periods from October 15 to December 31 and from January 1 to April 15 of a given year. These demand response periods are different from those used in the capacity mechanism. In addition, the number of days of tension also differs from those of the capacity mechanism (40 days reported on the AOE Crise instead of 25 days PP2 in the capacity mechanism), as do the hours of shaving, the range of which is tightened to 8am-1pm and 6pm-8pm. However, the contractual complexity resulting from these changes in the AOE makes it difficult to convey offers to customers and for them to understand them, and consequently risks slowing down the rate at which demand response contracts are signed. **Standardizing the timetables for the capacity mechanism and the AOE would make the signals clearer for prospective customers.**

UFE also calls for **greater transparency in grid congestion tenders**, to give market participants a clearer picture (assumptions/results/cost in €/kW) of the profitability achievable when developing an asset.