

## Businesses urge to set clear requirements to develop system flexibility in the Governance Regulation

To the kind attention of **Maria KOLEVA**  
Ambassador, Deputy Permanent Representative of Bulgaria to the EU  
*cc: EU27 Deputy Permanent Representatives and Energy Attaches*

Brussels, 19 February 2018

Dear Ambassador,

As the association of market players driving digital and decentralised energy solutions, smartEn believes that the Energy Union Governance Regulation is key to provide certainty and predictability for businesses in the development of system flexibility. System flexibility helps to reduce overall system costs, increase security of supply, support the integration of growing shares of renewable energy, and empower consumers to be active players in the energy system.

In view of the first trilogue meeting on 21 February, we call the Bulgarian EU Presidency to grasp the potential of flexibility and reflect it in the Presidency compromise proposals.

The European Parliament amendments to the Governance Regulation (adopted by the joint ITRE/ENVI Committees and confirmed with a large majority in the Plenary meeting on 17 January 2018) set the right framework to boost system flexibility in reporting, planning and monitoring provisions<sup>1</sup>.

Specifically, as regards the Internal Energy Market dimension, Member States shall set out in their Integrated National Energy and Climate Plans (article 4) **national objectives** to:

- increase system flexibility, in particular through the removal of obstacles to free price formation, market integration and coupling, smart grids, aggregation, demand response, storage, distributed generation, mechanisms for dispatching, re-dispatching and curtailment, real-time price signals<sup>2</sup>;
- ensure the non-discriminatory participation of renewable energy, demand response and storage, including via aggregation in all energy markets;
- ensure consumers participate in the energy system and benefit from self-generation and new technologies. In fact, consumers must be empowered to participate in the system by allowing them to participate in sustainable energy generation, taking control of their consumption and reacting to price signals. This allows them to save on their bills while providing valuable flexibility and stability to an increasingly decentralised electricity system.

As the European Parliament requests, all these national objectives shall include a **timeframe for their accomplishment** and, accordingly, report on their progress in the integrated reporting on the Internal Energy Market.

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<sup>1</sup> AMs 85, 86, 87 to article 4 (National objectives, targets and contributions for the five dimensions of the Energy Union) and AMs 147, 149, 150 to article 21 (Integrated reporting on the IEM).

<sup>2</sup> According to the European Commission's Impact Assessment for the Clean Energy Package, we are currently only tapping into a small fraction of the EU's Demand Response potential of 160GW by 2030. According to a 2015 study underlying the same Impact Assessment, the cost-effective exploitation of demand-side flexibility could lead to savings of €60-100bn/year: a significant contribution to reducing the need for new generation capacity and network upgrades.

**Monitoring and reporting** (article 21) is vital for tracking progress on the ground. To make optimal use of flexible resources, including distributed generation, storage and demand response, decision-makers and market participants need to know how much flexible capacity is already available and how much can be expected to be achieved. Monitoring of flexibility and consumer engagement are important also to support a well-informed Network Planning and Resource Adequacy Assessment. Regular monitoring, based on a clearly defined methodology, should be put in place to ensure a secure and cost-efficient functioning of the electricity system that takes into account all available resources.

Such clear objectives and monitoring of flexibility within the **Governance Regulation would be consistent also with the Electricity Market Regulation and Directive** currently in discussion. The discussed drafts on market design give Member States a clear mandate to avoid inefficiencies and overestimating capacity needs, supported by a European resource adequacy assessment. An implementation plan with a timeline for adopting measures to eliminate any identified regulatory distortions and/or market failures shall be implemented, with specific attention to enabling self-generation, energy storage and demand side measures. Such an assessment would be incomplete without a comprehensive knowledge of the potential and existing availability of these flexibility solutions.

We urge the Bulgarian EU Presidency to take in due account the positive contribution of the abovementioned amendments tabled by the European Parliament and guide the Council towards a full support of these provisions.

We are at your disposal in the forthcoming weeks to discuss the strategic importance of a solid framework to drive flexibility in the EU energy system.

Your sincerely,



Frauke Thies  
Executive Director, smartEn