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Smart Energy Demand Coalition

EBSAG

July 17

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Smart Energy Demand Coalition

The **SEDC** is an not-for-profit industry group, representing the requirements of programs involving **Smart Energy Demand** in order to support the 2020 objectives, further the development of the Smart Grid and ensure improved end-consumer benefits.



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ENTSO-E Network Codes

SEDC believes the ENTSO-E Network codes are a historic opportunity to create a **positive, unified framework** within which demand and supply side resources can compete on an equal footing for the first time

This will benefit consumers by allowing them to participate, provide balancing resources at the lowest possible cost and increase security of supply



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Positive Aspects of the Code



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Positive Aspects of the Code

The SEDC supports:

- The effort to create an integrated balancing market by 2021 and believes this to be a positive and realistic goal.
- ENTSO-Es effort to enable Demand Response and their commitment to facilitate consumer participation within the markets.

Examples:

- **General Objectives: Article 9.f:** *“facilitate wide participation of Demand Side Response and supporting the achievement of the European Union target for the penetration of renewable generation ”*
- **General Provisions: Article 25.1:** *“All Transmission System Operators shall harmonise the pricing method for at least each Balancing Energy Standard Product, which shall: a. strive for an economically efficient use of Demand Side Response and other Balancing resources subject to operational security limits ”*
- **Positive that the KPIs measured in the Annual Report include: Art 47.7.f** *“possible inefficiencies and distortions in terms of competition and market fragmentation, facilitation of Demand Side Response.. ”*

Remaining Areas of Concern

While ENTSO-E clearly has the intention of facilitating consumer participation in the Balancing Markets, there remains certain areas of concern:

- 1. Contractual clarity between BRP, BSP and TSO: protection for aggregators and consumers**
- 2. Facilitation of DR in standard product description**
- 3. Fluid and robust markets**
- 4. Little opportunity for stakeholder input in central issues which remain to be defined as listed in Article 6.1**

1. Contractual Protection

It is absolutely crucial that Aggregators as BSPs have sufficient contractual protection within the Balancing Markets

Example: Art. 16.2.d

*The terms and conditions related to **Balancing** shall facilitate the achievement of the objectives of the Balancing Market as defined in Article 9, and **shall**:*

*d. oblige all Balancing Service Providers to appoint at least one Balance Responsible Party to **accept** application of an adjustment according to Article 39, at least for each Balancing Service product,....”*

- This language **allows the BRP to accept or reject the application**
- When the DR activity is seen as competition to BRPs, they simply reject the application and shut the market for aggregators
- **Aggregators will be at mercy of the local incumbent player**
- **“Accept”** should be changed to **“inform of an adjustment..”**

1 (cont.). Contractual Protection

The SEDC believes that this draft version does not provide adequate contractual clarity for either the BRP or BSP.

We would suggest further discussion

Articles involved: Art. 16.2.d., Art. 16.6. d., Art. 39., Art. 49.

- **Clarity:** Where the BSP and BRP responsibilities begin and end (Art. 16.6.d)
- **Independence:** If the Aggregators don't want to become BRPs or if they are not able to become BRPs, they should still have the opportunity to work independently in the market (Art. 16.2.d)
- **Procedures:** Clarify how the BRP will be brought back 'into balance' when a DR event occurs in their area.

2. Enabling Definitions and Descriptions

Art. 17.4. provides a list with the characteristics of the Standard Balancing Reserve and Energy products.

This list describe what a generator needs to know in order to participate in a Balancing Market, but not necessarily provide a DR aggregator with the required information.

Yet generation centric product definitions are one of THE main barriers to Demand Response development in Europe today.

The minimal standards of the products should not by their very limitations of descriptions exclude Demand Response Products

Questions and Concerns

Definitions of descriptive factors – **mode of notification**

- Define what is meant by **location** ?
- Clarify what is meant by **divisibility** ?

2 (Cont.) Enabling Definitions and Descriptions

Art. 17.5.b:

*“Standard Balancing Reserve and Energy products shall:
(b) **allow** participation of the load, energy storage facility and generation including renewables entities to become a Balancing Service Provider”*

- **“Allow”** is a weak legal term – especially when combined with the existing standard product description of Art. 17.4
- As long as TSOs do not specifically **forbid** DR they have fulfilled this legal obligation.
- **“allow”** should be changed to **“facilitate”** as is the case in General Objectives: Article 9.f.

3. Barriers to Market Creation

Art. 22.1 *“Each Transmission System Operator shall use at least one of the following market based methods for the procurement of Frequency Containment Reserves, Frequency Restoration Reserves and Replacement Reserves:*

- a. a call for tender;*
- b. a call for tender with **price caps**; or*
- c. an **obligation** for Balancing Service Providers to provide **reserves**, linked to a liquid secondary market for the Transfer of Obligations.”*

- Price Caps:** Against market principles to include **price caps** in a tendering process.

- Reserves:**

- Reserves are not a liquid market – no real competition
- Seems to contradict **Art. 20.1** which requires firm bids after gate closure
- In many countries is Europe, it is illegal for aggregated Demand Response to participate in the Reserves markets!

3. Barriers to Market Creation

Art.11. 3. *“Transmission System Operators shall not offer the Balancing Services themselves, except, if there are insufficient bids with respect to dimensioning requirements contained in the Network Code on Load-Frequency Control and Reserves from Balancing Service Providers or if foreseen under national law.”*

Allowing TSOs to own generation and storage, create price caps and provide their own balancing resources...

The SEDC suggests these provisions go against healthy, free and open balancing markets.

4. Stakeholder input:

Art. 6.1 *The following shall be publically consulted on for a period of at **least four weeks** by the party or parties responsible for developing the following proposals:*

- (a) terms and conditions related to Balancing pursuant to Article 16;*
- (b) the list of Standard Products pursuant to Article 17;*
- (c) common pricing methods within a Coordinated Balancing Area of Balancing Reserve products pursuant to Article 23(3);*

...

13 points.

- **Many critical questions remain open or loosely defined in this code**
- The SEDC accepts if this is necessary - given time constraints but would urgently request that the schedule and mechanisms for stakeholder input but revised. **Four weeks will not be sufficient!**

We should learn from the Stakeholder process during the writing of the Network Codes and not repeat past mistakes

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