

# Clean Energy Package: Ensure wholesale-retail integration

## General Assessment

- The Clean Energy Package includes a number of positive measures aiming at consumer empowerment (easy switching of supplier, better access to and protection of consumption data, definition of a legal framework for demand side response). As an increasing number of actors of the electrical system are located at the distribution grid level, many provisions rightly support the changing role of DSOs and the challenges they are facing in their network operation and planning.
- However, wholesale-retail integration and the access of customers to all markets should be a priority. TSO-DSO cooperation is in that sense of the utmost importance to ensure a smart energy grid and an efficient market, open to consumer empowerment and optimal use of distributed energy sources. The present TSO-DSO platform is the right place to foster TSO-DSO cooperation, without leading to fragmentation.

*We welcome the empowerment of consumers and acknowledge the changing and more important role of DSOs*

*Close TSO-DSO cooperation is key for integrating wholesale and retail and to bring benefits to consumers*

## Access to distributed flexibilities and design of products (Electricity Directive Articles 31, 32, Electricity Regulation article 53)

- The EC proposes that DSOs are entitled to use the flexibility (distributed generation, demand response, storage) available on their grid, in a market-based approach and in coordination with TSOs. DSOs shall define the standardized market products for the services to be procured via these flexibilities. Besides, DSOs contribute to define technical modalities for participating in non-frequency ancillary services market.
- Flexibility services could be potentially used by DSOs but only limited to the management of local congestion and non-frequency ancillary services (e.g., voltage control), and in a full market-based approach coordinated with TSOs. Technical modalities for participation in such markets should be defined in close coordination with TSOs. Besides, TSOs are the only ones responsible for balancing (frequency ancillary services).
- A direct consequence of an exclusive DSO design of flexibility products could be a capture of the offers for the needs of the distribution grids. This would lead to the creation of local markets with low liquidity, barriers for aggregation of flexibilities across different distribution networks, and fragmentation between wholesale and retail markets. Furthermore, flexibility service providers should be able to offer their products on all markets, without any priority or entry barrier, in order to ensure efficiency and bring maximum value to consumers. Where the Electricity Balancing Guideline paves the way for a European-wide balancing market integrating distributed resources, creating local DSO markets would actually hamper the completion of the Internal Energy Market.

*DSOs need flexibility products to manage their grid*

*DSOs can access flexibilities for congestion management, and not for local balancing*

*Flexibility products and associated market rules should be designed with DSOs, TSOs and market parties, in an integrated manner with balancing. Limiting it to DSOs will result in market fragmentation and loss of value for consumers.*

## EU DSO entity and its tasks regarding smart grids, digitalization and demand side response (Electricity Regulation article 51 and 55)

- The EC proposes that an EU-DSO entity will be set up, which shall, among others, develop demand response, data management and the digitalization of distribution networks,

*Smart grids are key at both the DSO and TSO level*

including the deployment of smart grids and intelligent metering systems. Furthermore, this entity can be mandated to draft network codes if the subject matter is more related to the distribution system and is less relevant for the transmission system.

- ENTSO-E welcomes this EU DSO entity as a way to enhance EU-level TSO-DSO cooperation, based on the achievements of the current TSO-DSO platform. However, the topics listed in the regulation should not be the sole responsibility of the EU DSO entity, since close cooperation with TSOs and market parties should be a priority from the beginning of the process. The TSO-DSO platform should be used as an important cooperation place.
- As for data management and the development of demand response, DSOs should be neutral facilitators, like TSOs or third parties.
- Moreover, digitalization of the grid and development of smart grids cannot be limited to distribution, and should be addressed for the whole system. We need to bear in mind that digitalisation provides solutions to both DSOs and TSOs. However, the EC assigns digital solutions entirely to DSOs, omitting the fact that the transmission level equally has to go through a digital transformation (e.g., efficient real time data acquisition and use, smart substations etc.). Indeed, digitalization goes beyond smart meter roll-out in the retail market. Innovation is needed at system level and should not be split between transmission and distribution.
- Concerning the drafting of new network codes, the separation between topics related to the transmission system and to the distribution system is not adequate for market and data related issues, as the market should be integrated independent of the physical or geographical connection of the actor.

***ENTSO-E welcomes the DSO EU entity***

***Data management, digitalization, smart grids as well as demand response are challenges for the entire power system and market***

***Separating TSO and DSO issues for market design and data management will bring loss of value for the customer***

## **Demand side response and participation of aggregators into the market (Electricity Directive article 17)**

- The EC proposes that demand side response, and more particularly aggregators, are enabled to fully participate in the market and that the technical modalities of their participation should be defined by national regulatory authorities, TSOs, DSOs and demand service providers. This is welcomed by ENTSO-E.
- However, the Directive also suggests that aggregators shall not pay any compensation to suppliers or generators. ENTSO-E believes that the absence of financial compensation between aggregators and suppliers or generators will create balancing market inefficiencies and could result in undue distortion of market incentives and competition. As a consequence, the overall development of implicit and explicit demand response would be put at stake.
- A sustainable framework should be set for such new service providers. It should be built upon the following key principle: each market party should be financially compensated for the energy it has sourced and which has been transferred to another market party's balancing perimeter.

***Setting a framework for demand side response is welcomed; however, the lack of financial compensation for the supplier sourcing the electricity is a problem***

***Financial compensation ensures fairness of treatment, and is key to an efficient and sustainable market development of demand side response***