

Demand response aggregation

| European Commission proposal |  | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Article 13 Consumers rights to contract with aggregators | Electricity Directive |  |
| Article 13.4 Demand response data on supplied and sold electricity to be received at least once per year | Electricity Directive |  |
| Article 17.1-2 Encourage final customers to participate in a non-discriminatory manner in all organised markets TSO & DSO to treat DR providers in a non-discriminatory manner when procuring ancillary services | Electricity Directive |  |
| Article 17.3 Aggregators should not pay compensation to suppliers or generators | Electricity Directive |  |
| Article 17.4 Imbalances compensation payment between BRP and aggregators only as an exception | Electricity Directive |  |

Demand Response aggregation benefits consumers

The development of innovative demand response services **incentivises consumers to be more active and empowers them, giving them more control over their electricity consumption**. Next to dynamic pricing, **aggregation offers an opportunity to exploit the flexibility potential of consumers** and to facilitate **their access to the market**. Demand-response aggregation can be done by different actors such as suppliers or aggregators and should first benefit consumers.

All aggregators should compete on a level playing field in the market

▪ **Balancing responsibility**

The current **market model is based on the central principle of balance responsibility**: an obligation for anyone connected to the grid to balance its position or to be exposed to the financial consequences of imbalance. This **principle would be violated if one category of market participants was exempted from being charged by the TSO the cost of its energy imbalances**. Therefore, **aggregators should be responsible for their imbalances as a rule, not as an exception**.

▪ **Payment of sourcing costs**

Any market participant willing to trade electricity must bear the costs related to procuring this electricity. A fair market-based remuneration of the energy that has been sourced by the supplier of the involved customers and is allocated to an aggregator should be required. **Omitting this payment adds distortions to free price formation and has negative impacts on consumers' bills**. As stated in the EC own impact assessment *"the exclusion of any compensation mechanism introduces a possibility of demand aggregators being free riders in the markets and therefore creating inefficiencies. This is not in line with the EU target model and generally not in line with creating a level playing field for competition."*¹

¹ Impact Assessment, Annexes, end of section 3.1.5.

Key proposed amendments

Article 13§4

Member States shall ensure that final customers are entitled to receive all relevant demand response data or data on supplied and sold electricity ~~at least once per year on a regular basis.~~

Electricity
Directive

Justification

As the action of aggregators will have an impact on the customers' bill, customers should have this information as close to receiving their bill as possible. In order to encourage more participation of consumers in the market, this information should be sent on a regular basis.

Article 17§3(d)

Aggregators shall ~~not be required to~~ pay ~~compensation to~~ suppliers ~~or and~~ generators ~~the market value of the energy transacted as a result of a demand response action.~~

Electricity
Directive

Justification

In order to be sold by the third-party aggregator, the electricity related to the demand response action has to be sourced by the supplier of the activated customer. Therefore, this electricity has to be paid for. The re-routing of electricity through a demand response action and its subsequent sale on the electricity markets by aggregators should not be confused with a simple decrease of electricity consumption.

Article 17§4

In order to ensure that balancing costs and benefits induced by aggregators are fairly assigned to market participants, Member States ~~may~~ ~~exceptionally should~~ allow ~~compensation~~ payments between aggregators and balancing responsible parties. Such ~~compensation~~ payments must be limited to situations where one market participant induces imbalances to another market participant resulting in a financial cost. Such ~~exceptional compensation~~ payments shall be subject to approval by the national regulatory authorities and monitored by the Agency.

Electricity
Directive

Justification

The current market model is based on the central role of Balance Responsible Parties that are financially responsible for keeping their own position balanced over a given timeframe (the imbalance settlement period). The Internal Market Regulation (art. 4.1) clearly states that all market participants must take financial responsibility for the imbalances they cause in the system. Aggregators should therefore always be balance responsible, on a level playing field with other market participants.