

DSO Storage ownership & operation

European Commission proposal	
<p>Articles 36 DSOs shall not be allowed to own, develop, manage or operate energy storage facilities. Public consultation performed by the regulators in order to re-assess the potential interest of markets parties to invest, develop, operate or manage energy storage facilities</p>	<p>Electricity Directive </p>

The benefits of storage

Storage has **potential to help promote active consumption and realise other forms of value for market participants, grid operators and retailers**. Storage is a key part of the new active DSO's 'toolkit' which can be used to assist DSOs to operate and plan their networks more 'flexibly'. A stand-alone business case for DSOs' ownership of storage can be constructed from a synthesis of these benefits and a market based deployment would be the usual course once the technology becomes mature.

The need of commercial arrangements for storage

It is important to recall that DSOs are under strict regulatory supervision and required to adopt new technology as it becomes proven and cost competitive. DSOs have also urgent operational issues presently on-hand due to the growth of mainly variable distributed generation connecting at the distribution level. Over time **we foresee that 'flexibility' will be conceptualised as a fungible service with storage and other technologies can make offerings**. Such **commercial arrangements do not yet exist** and will have to be designed, tested and integrated into the DSOs' regulatory framework.

Ownership of storage facilities

EURELECTRIC favours a **tendering procedure to assess whether DSOs should be allowed to own, develop, manage or operate energy storage facilities** because **in principle energy storage facilities shall be owned, developed, managed or operated by markets participants**. Nevertheless **a mandatory tendering procedure could be both costly and time consuming and not appropriate for every situation**. EURELECTRIC therefore proposes that DSOs should be allowed to own, develop, manage or operate energy storage facilities if 1) following an assessment of the market the NRA concludes that no tendering procedure is needed and gives its approval or 2) if following a tender/market test performed in an open and transparent manner under NRAs' supervision, no parties have expressed interest to own, develop, manage or operate the storage facilities. This is a **simple adjustment to the normal regulatory process between the DSOs and the NRA** and does not require derogation from EU law.

Key proposed amendments

Article 36

1. Energy storage facilities shall be owned, developed, managed or operated by markets participants.

2. Distribution system operators ~~shall not~~ **may** be allowed to own, develop, manage or operate energy storage facilities **if such facilities are necessary for the distribution system operator to fulfil its obligations under this regulation for the efficient, reliable and secure operation of the distribution system**

~~2. By way of derogation from paragraph 1, Member States may allow distribution system operators to own, develop, manage or operate storage facilities~~ only if the following conditions are fulfilled:

(a) other parties, following an open and transparent tendering procedure **(under NRA supervision)**, have not expressed their interest to own, develop, manage or operate **cost-effective** storage facilities **or for alternatives flexibility services;**

~~(b) such facilities are necessary for the distribution system operators to fulfil its obligations under this regulation for the efficient, reliable and secure operation of the distribution system;~~

And Or

(b) the **regulatory authority NRA** has assessed ~~the necessity of such derogation taking into account the conditions under points (a) and (b)~~ **that there is no necessity to apply the condition under point (a)** of this paragraph and has granted its approval.

3. Articles 35 and Article 56 shall apply to distribution system operators engaged in ownership, development, operation or management of energy storage facilities.

4. Regulatory authorities shall perform at regular intervals or at least every five years a public consultation in order to re-assess the potential interest of market parties to invest, develop, operate or manage energy storage facilities. In case the public consultation indicates that third parties are able to own, develop, operate or manage such facilities, Member States shall ensure that distribution system operators' activities in this regard are phased-out **with compensation on fair and reasonable terms.**

Justification

Storage is a key part of the new active DSO's 'toolkit' which can be used to assist DSOs to operate and plan their networks more 'flexibly'. A tendering procedure is to assess whether DSOs should be allowed to own, develop, manage or operate energy storage facilities because in principle energy storage facilities shall be owned, developed, managed or operated by markets participants. Nevertheless a mandatory tendering procedure could be both costly and time consuming and not appropriate for every situation.

It is a simple adjustment to the normal course of the DSOs business in cooperation with the NRA and does not require a tender to be undertaken by the NRAs, nor does it require Member States to provide derogation from EU law.

Electricity
Directive