

The impact of developing peak-shaving products on the Union electricity market under normal market circumstances

A Eurelectric response paper to a consultation

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Dépôt légal: D/2025/12.105/14

National Associations
Customers & Retail Services Committee
Distribution & Market Facilitation Committee
WG Market Integration & Network Codes
WG Sustainable Network Technology
WG Retail Market Design
WG Customers & New Services
WG Regulation & Network Customers
SG Distributed Flexibility & Data Management

Contact:
Alessandro ZAPPI, Advisor - Markets & Customers
azappi@eurelectric.org

Public consultation on the impact of developing peak-shaving products on the Union electricity market under normal market circumstances.

Fields marked with * are mandatory.

Introduction

[The EU Regulation to improve the Union's Electricity Market Design \(EMD\)](#), which has been adopted by the Council of the EU on 21 May 2024, contains a new article on peak-shaving products.

The Regulation mandates ACER with new tasks on peak-shaving products, namely:

Art 7a (8): *"By 30 June 2025, ACER shall, after consulting stakeholders, assess the impact of developing peak-shaving products on the Union electricity market under **normal market circumstances**. That assessment shall take into account the need for peak-shaving products not to unduly distort the functioning of the electricity markets, and not to cause a redirection of demand response services towards peak-shaving products. On the basis of that assessment, the Commission may submit a legislative proposal to amend this Regulation in order to introduce peak-shaving products outside regional or Union-wide electricity price crisis situations."*

Objective

Since ACER's assessment on the impact of developing peak-shaving products on the European Union electricity markets under **normal market circumstances** must take into account the needs of the different parties involved, it is key that this is done in close coordination with relevant institutions and stakeholders.

ACER therefore runs this public consultation to gather input from interested stakeholders and ensure an informed and inclusive decision-making process.

As a follow up, ACER will evaluate the feedback received in the consultation and the conclusions reached by the consultative expert group established in February 2025.

On the basis of ACER's assessment, the European Commission may as a next step submit a legislative proposal to amend Regulation (EU) 2019/943 ('Electricity Regulation') in order to introduce peak-shaving products outside regional or EU-wide electricity price crisis situations.

Target group

This consultation is addressed to all interested stakeholders, including but not limited to: Member states, developers, offtakers, utility companies, sector associations, NEMOs, TSOs, DSOs, business and legal advisors, academics, etc.

Contact and deadline

The contact point for this consultation is: peakshaving.assessment@acer.europa.eu

All interested stakeholders are invited to submit their comments by **17 April 2025, 17:00 (CET)**.

Policy Objectives

Recital 17 of the [EMD Regulation](#), lays out the policy objectives of peak-shaving products during price crisis situations*:

"To ensure the efficient integration of electricity generated from variable renewable energy sources and to reduce the need for fossil-fuel based electricity generation in situations of regional or Union-wide electricity price crisis, it should be possible for Member States to request system operators to propose the procurement of a peak-shaving product enabling additional demand response in order to contribute to decreasing consumption in the electricity system.

The proposal for a peak-shaving product should be assessed by the regulatory authority concerned as regards achieving a reduction of electricity demand and a reduction of the impact on wholesale electricity price during peak hours.

As the peak-shaving product aims to reduce and shift the electricity consumption and in order to avoid increasing of greenhouse gas emissions, the activation of the peak-shaving product should not imply starting fossil fuel-based generation located behind the metering point.

As the peak-shaving product is intended to be applied only in limited situations of regional or Union-wide electricity price crisis, its procurement may take place up to one week ahead of releasing additional demand response capacities.

System operators should be able to activate the peak-shaving product before or within the day-ahead market time frame. Alternatively, it should be possible for the peak-shaving product to be activated automatically based on a pre-defined electricity price.

In order to verify volumes of reduction of electricity consumption, the system operator should use a baseline reflecting the expected electricity consumption without the activation of the peak-shaving product, and should, after consulting market participants, develop a baseline methodology. That methodology should be approved by the regulatory authority concerned. ACER should assess the impact of using peak-shaving products on the Union electricity market, taking into account the need for peak-shaving products not to unduly distort the functioning of the electricity markets or to cause a redirection of demand response towards peak-shaving products, and should be able to issue recommendations to regulatory authorities to be taken into account in their assessment at national level.

Furthermore, ACER should assess the impact of developing peak-shaving products on the Union electricity

market under normal circumstances. On the basis of that assessment, the Commission should be able, where appropriate, to submit a legislative proposal to amend Regulation (EU) 2019/943 in order to introduce peak-shaving products outside electricity price crisis situations".

**Although the policy objectives concerns peak-shaving products during price crisis situations, we will in this public consultation and in the ACER assessment consider the same policy objectives applicable to peak-shaving products under normal market circumstances.*

Legal framework

Article 7a of the [Electricity Regulation](#) sets out how peak-shaving products can be procured during electricity price crisis situations and the requirements for such procurement*:

"1. Where a regional or Union-wide electricity price crisis is declared in accordance with Article 66a of Directive (EU) 2019/944, Member States may request system operators to propose the procurement of peak-shaving products in order to achieve a reduction of electricity demand during peak hours. Such procurement shall be limited to the duration set out in the implementing decision adopted pursuant to Article 66a(1) of Directive (EU) 2019/944.

2. Where a request is made pursuant to paragraph 1, system operators shall, after consulting stakeholders, submit a proposal setting out the dimensioning and conditions for the procurement and activation of the peak-shaving product to the regulatory authority of the Member State concerned for its approval.

3. The regulatory authority concerned shall assess the proposal for a peak-shaving product referred to in paragraph 2 as regards achieving a reduction of electricity demand and the impact on wholesale electricity price during peak hours. That assessment shall take into account the need for the peak-shaving product not to unduly distort the functioning of the electricity markets, and not to cause a redirection of demand response services towards peak-shaving products. On the basis of that assessment, the regulatory authority may request the system operator to amend its proposal.

4. The proposal for a peak-shaving product referred to in paragraph 2 shall comply with the following requirements:

(a) the dimensioning of the peak-shaving product shall:

(i) be based on an analysis of the need for an additional service to ensure security of supply without endangering grid stability, of its impact on the market and of its expected costs and benefits;

(ii) take into account the forecast of demand, the forecast of electricity generated from renewable energy, the forecast of other sources of flexibility in the system, such as energy storage, and the wholesale price impact of the avoided dispatch; and

(iii) be limited to ensure that forecasted costs do not exceed the expected benefits of the peak-shaving product;

(b) the procurement of a peak-shaving product shall be based on objective, transparent, market-based and non-discriminatory criteria, shall be limited to demand response and shall not exclude participating assets from accessing other markets;

(c) the procurement of the peak-shaving product shall take place using competitive bidding, which can be continuous, with selection based on the lowest cost of meeting pre-defined technical and environmental criteria and shall allow the effective participation of consumers, directly or through aggregation;

(d) the minimum bid size shall not be higher than 100 kW, including through aggregation;

(e) contracts for a peak-shaving product shall not be concluded more than a week before its activation;

(f) the activation of the peak-shaving product shall not reduce cross-zonal capacity;

(g) the activation of the peak-shaving product shall take place before or within the day-ahead market time frame and may be done on the basis of a pre-defined electricity price;

(h) the activation of the peak-shaving product shall not imply starting fossil fuel-based generation located behind the metering point, in order to avoid increasing greenhouse gas emissions.

5. The actual reduction of consumption resulting from the activation of a peak-shaving product shall be measured against a baseline, reflecting the expected electricity consumption without the activation of the peak-shaving product. Where a system operator procures a peak-shaving product, that operator shall develop a baseline methodology after consulting market participants, shall, where relevant, take into account the implementing acts adopted pursuant to Article 59(1), point (e), and shall submit it to the regulatory authority concerned for its approval.

6. The regulatory authority concerned shall approve the proposal of the system operators seeking to procure a peak-shaving product and the baseline methodology submitted in accordance with paragraphs 2 and 5 or shall request the system operators to amend the proposal or the baseline methodology where that proposal or that methodology does not meet the requirements laid down in paragraphs 2, 4 and 5.

7. By six months after the end of a regional or Union-wide electricity price crisis as referred to in paragraph 1, ACER shall, after consulting stakeholders, assess the impact of using peak-shaving products on the Union electricity market. That assessment shall take into account the need for peak-shaving products not to unduly distort the functioning of the electricity markets, and not to cause a redirection of demand response services towards peak-shaving products. ACER may issue recommendations that regulatory authorities shall take into account in their assessment pursuant to paragraph 3.

*8. By 30 June 2025, ACER shall, after consulting stakeholders, assess the impact of developing peak-shaving products on the Union electricity market under **normal market circumstances**. That assessment shall take into account the need for peak-shaving products not to unduly distort the functioning of the electricity markets, and not to cause a redirection of demand response services towards peak-shaving products. On the basis of that assessment, the Commission may submit a legislative proposal to amend this Regulation in order to introduce peak-shaving products outside regional or Union-wide electricity price crisis situations."*

**Although the requirements for procuring peak-shaving products concerns peak-shaving products during price crisis situations, we will in this public consultation and in the ACER assessment consider the same requirements applicable to peak-shaving products under normal market circumstances.*

Data protection

ACER will process personal data of the respondents in accordance with [Regulation \(EU\) 2018/1725](#), taking into account that this processing is necessary for performing ACER's consultation tasks.

More information on data protection is available in ACER's [data protection notice](#) and on [ACER's website](#).

ACER will not publish personal data.

☒ Please confirm that you have read [the Data Protection Notice](#)

Confidentiality

Following this consultation, ACER will make public:

- the number of responses received;
- company names, unless they should be considered as confidential;
- all non-confidential responses; and
- ACER's evaluation of responses. In the evaluation, ACER may link responses to specific respondents or groups of respondents.

You may request that the name of your company or any information provided in your response is treated as confidential. To this aim, you need to explicitly indicate whether your response contains confidential information.

You will be asked this question at the end of the survey.

☒ I have read the information provided in this section.

How to navigate through the survey

When providing your input to the questionnaire, please consider the following guidance:

Definitions and Clarifications

For the purpose of this public consultation, the following definitions from the Electricity Regulation applies:

"Peak hour" means an hour where, on the basis of the forecasts of transmission system operators and, where applicable, NEMOs, the gross electricity consumption or the gross consumption of electricity generated from sources other than renewable sources or the day-ahead wholesale electricity price is expected to be the highest, taking cross-zonal exchanges into account.

"Peak shaving" means the ability of market participants to reduce electricity consumption from the grid at peak hours at the request of the system operator.

"Peak-shaving product" means a market-based product by means of which market participants can provide peak shaving to system operators.

For the purpose of this public consultation, all questions relates to the introduction of peak-shaving products under **"normal market circumstances"**, and not under "price crisis situations". Throughout the survey, **"normal market circumstances"** refers to all situations where regional or Union-wide electricity price crisis, in accordance with Article 66a of Directive (EU) 2019/944, have not been declared.

Providing Comprehensive Feedback

Please support your responses with arguments. ACER's final assessment will be based on the provided reasoning, helping us to better understand the current market needs.

Need Assistance?

We appreciate your participation and effort in this consultation. If you have any questions or require assistance, please contact our team.

Your detailed and well-reasoned feedback is crucial for us to accurately assess the market's needs. Thank you for your valuable contribution.

Respondent's data

* Country

Belgium

* Company's name

50 character(s) maximum

Eurelectric

* Email address

This information will not be published.

azappi@eurelectric.org

* Area of business

- ☐ Developer (or association)
- ☐ Utility Company (or association)
- ☐ Trader (or association)
- ☐ Off-taker (or association)
- ☐ Legal Service (or association)
- ☐ Advisory (or association)

- ☐ Transmission (or association)
- ☐ Distribution (or association)
- ☐ NEMO (or association)
- ☐ Portfolio Manager (or association)
- ☐ Academia (or association)
- ☐ Think tank (or association)
- ☐ Member state
- ☒ Other (please specify)

If relevant, please specify other area of business

European federation of the electricity industry which includes different parts of the value chain (including energy traders, suppliers, generators, utilities, DSOs)

Consultation questions

1. Policy Objectives

1.1 Impact on wholesale prices

1.1.1

The first policy objective of a peak-shaving product is to lower wholesale electricity prices. The decrease of the wholesale electricity price would reduce potential “excessive” windfall profits of producers and reduce costs for consumers.

This concept is illustrated in Figure 1. The idea behind a peak-shaving product is to activate demand response based on another price signal than the day-ahead price, thereby reducing the volume of demand participating in the market as buy orders (shift from the right demand curve to the left demand curve*). This reduction in market-participating demand would, in turn, lead to a decrease in wholesale electricity prices compared to a scenario without a peak-shaving product.

Do you agree that the introduction of a peak-shaving product would lead to a reduction of the wholesale electricity prices?

*The peak-shaving framework can also be implemented by having demand response participating to the peak-shaving product to submit supply bids at a predefined price, thereby shifting the supply curve to the right. Conceptually, this approach is equivalent to shifting the demand curve to the left, and both options remain open for potential implementation. However, for clarity throughout this document, we will use the interpretation of reducing the demand participating in the wholesale market. as described in the legislative framework.

- ☐ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☒ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

Peak shaving products create much more direct distortions and negative impacts in wholesale markets than potential benefits (which are not proven by a proper impact assessment). Instead, there are alternative solutions present in the wholesale market design that do not disrupt market dynamics: capacity mechanisms ensure firm capacity; forward markets (incl. PPA) provide hedging; and balancing and local markets disclose the value of flexibility. Moreover, the reservation of such products remains costly and their mere existence alters the implicit demand response happening naturally and hedging strategies of all market parties, creates cross-subsidies in the market, disrupts the optimal dispatch (and hence spot electricity prices) and jeopardizes the remuneration of other assets (including other flexibilities, renewable assets, investment in demand electrification). Risk primes generated by the potential activation of the peak shaving product would ultimately be passed back to consumers.

1.1.2

In an integrated electricity market, the price in a bidding zone depends on supply and demand across all Member States, as well as the available cross-zonal capacities. For a small, well-connected Member State, the price may be largely influenced by demand in larger neighbouring Member States. As a result, due to the different size of the System Operator (SO) and national systems, the ability of individual SOs to influence their national price might be different (due to national demand, level of cross-zonal capacities and national characteristics) compared to neighbouring Member States.

Do you agree that the SO of a small Member State may have a limited impact on market prices when using a peak-shaving product?

- ☐ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☒ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

We are very concerned about the rationale behind this question because it goes against the Single Electricity Market. It assumes that "influencing" the market is acceptable and even leads to the opposite thinking: larger (and specially less interconnected) Member States can convert the product in an arbitrage tool against the market coupling which would provoking a serious disruption in the wholesale price formation and cross-subsidies between EU consumers. Peak shaving products distort day-ahead market prices and market coupling, acting as indirect price caps in the end. Given that these products are implemented at the national level, with likely varying frameworks across Member States, they not only distort the supply-demand equilibrium in their country of origin but also create spillover effects in neighboring markets, which might not have implemented such mechanisms and forward prices. Trust in non-distorted price formation across EU will be in danger.

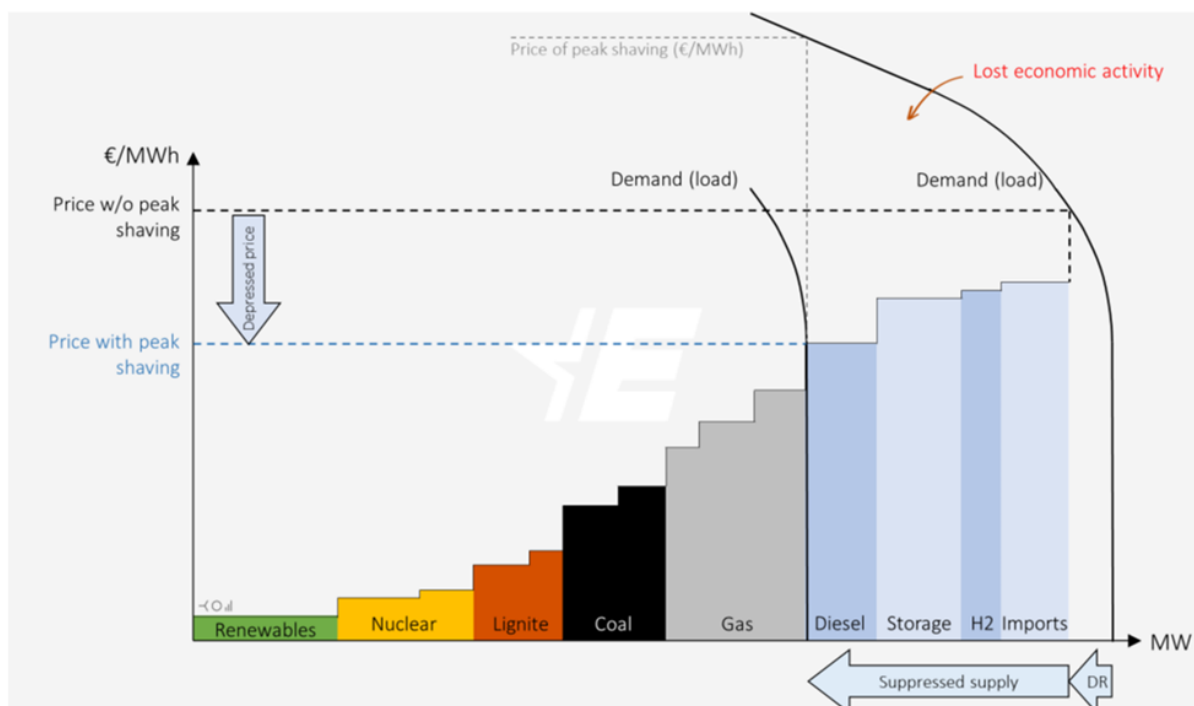


Figure 1: Illustration of the functioning of a peak-shaving product. (Source: Euractiv (2023))

1.1.3

ACER understands that while the introduction of a peak-shaving product could reduce wholesale electricity prices, it may not guarantee lower costs for consumers. This is because a peak-shaving product also entails additional costs for SOs.

First, there is the cost of procuring the peak-shaving product in order to ensure it is available (i.e. reservation costs). Second, there is the cost of activating it. As illustrated in Figure 1, the price at which demand reduction is compensated through the peak-shaving product is higher than the day-ahead market price. This is because the reduced demand would have otherwise been cleared in the day-ahead market.

What is your view on the potential impact of a peak-shaving product on consumer costs, considering both its potential to lower wholesale electricity prices and the associated costs for SOs?

1000 character(s) maximum

The procurement of peak shaving products comes at a cost for system operators (direct costs), and a general distortion of wholesale prices (indirect costs), which will be passed on to consumers. Wholesale prices could decrease in very narrowed situations, by assuming perfect foresight (e.g. ignoring that activation in the peak hour H19 during day D is blind on price in D+1, or price in M+1, Q+1, etc.) and ignoring the negative feedback loop triggered by the lower remuneration of market participants could lead to decreased supply and an increased risk for electricity wholesale price spikes. The risk is that peak shaving products are bringing higher costs than just letting demand react to the price signal. Eurelectric does not consider it a useful mechanism to introduce. There is no certainty that it will achieve the intended effect of lowering prices while it will undoubtedly impose additional costs on consumers, likely through tariffs even if the exact funding mechanism remains unclear

1.1.4

For assets receiving state support, such as renewable energy subsidies, capacity mechanisms, or Contracts for Difference (CfDs), ACER considers it more efficient to address potential "excessive" windfall

profits through these support mechanisms rather than by introducing a peak-shaving product to lower wholesale electricity prices.

For example, the use of a two-sided Contract for Difference or the implementation of a reliability option within a capacity mechanism could ensure that producer revenues exceeding a certain threshold are recovered.

Do you agree with ACER's view?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

Peak shaving products distort capacity markets by altering the missing money expectations of participants and create the risk of paying for security of supply twice. Additionally, under a reliability option scheme bidders may struggle to accurately assess its price, as it would be influenced by the activation of peak shaving products

RES assets are not 100% under regulated support schemes (e.g. PPA, hedging via futures), and not all the CfD are designed in the same way (e.g. capability-based, cap and floor). Peak shaving products negatively impact the captured price. They hinder optimal dispatch of RES and profitability of the asset, while blurring investment signals on flexibility in RES projects (e.g. colocation with batteries) and flexible electrification of demand

Complex regulatory frameworks with multiple overlapping mechanisms can hinder market participants' ability to make informed decisions, we should stick to simplicity and make the best use of our well-functioning market.

1.1.5

For assets that are not under state support schemes, ACER understands that limiting the infra-marginal rents of producers in normal market circumstances might prevent producers to recover their investment costs.

Do you agree with ACER's understanding?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

As said before, the introduction of peak shaving products under normal market circumstances has the effect of artificially lowering, if not suppress, certain price spikes that operators and investors require to cover fixed and investment costs (beyond the short-run marginal costs). The introduction of peak shaving products may therefore undermine the ability of operators and investors to cover their full costs, which could in turn increase the risk for price spikes. It would also undermine investor confidence and risk endangering the development of new investments that are needed to complete the energy transition.

1.1.6

ACER considers that lowering wholesale electricity prices through subsidised demand response such as peak shaving is not an efficient approach to supporting consumers, as the subsidy provides the same level of support to all consumers, regardless of their actual needs. Instead, ACER recommends targeted measures for vulnerable consumers rather than broad mechanisms that benefit all consumers equally (see [2023 CEER/ACER retail report](#)).

Do you agree with ACER's assessment?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

Demand reduction should be driven by market signals and efficient price subsidies should indeed be targeted on vulnerable consumers.

1.2 Security of Supply

1.2.1

The second policy objective of a peak-shaving product is to ensure security of supply. The premise is that demand reduction from the activation of the peak-shaving product could help avoid situations where there is a loss of load (when production and imports cannot meet demand).

Capacity mechanisms and strategic reserves are introduced and sized to address adequacy concerns (Article 21.1 and 22.1(c) of Regulation 2019/943). For this reason, ACER is of the opinion that in Member States that already have a capacity mechanism or a strategic reserve in place, there is less need to introduce an additional peak-shaving product for ensuring security of supply, as these mechanisms already ensure the necessary level of security of supply.

Do you agree with ACER's understanding? Do you see any advantages in the design of a peak-shaving product compared to a strategic reserve or a capacity mechanism?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree

☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

The distortions caused by peak shaving products will affect security of supply. They undermine the economic viability of firm capacity by distorting spot markets, blur adequacy assessments, and disrupt CRM schemes unless already addressed via existing markets. Capacity mechanisms must be open to demand response, so peak shaving products are unlikely to enhance security of supply. In France, peak days are identified day ahead by the TSO, with efforts from 2026 to anticipate these signals up to three days in advance, while aiming to preserve signal quality and reliability. However, increasing anticipation comes with a trade-off. The earlier the signal, the less accurate the forecasts for weather conditions, generation, and consumption. This reduces the effectiveness of price formation by misaligning market participants' expectations and fundamentals-driven decisions.

1.2.2

For countries without capacity mechanisms or strategic reserves, ACER is concerned that by lowering wholesale electricity prices, the peak-shaving product could weaken investment incentives in new capacities, potentially affecting long-term security of supply.

Do you agree with ACER's concerns?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

Peak shaving products can significantly impact investment signals and adequacy. They directly affect the economic viability of assets, particularly storage and other limited-energy resources. This can disrupt optimal dispatching, which is essential for maximizing social welfare, and create unintended side effects, including windfall missing money problems for other assets.

1.3 Demand response development

1.3.1

The third policy objective of a peak-shaving product is to enable the participation of additional demand response that cannot currently participate in existing wholesale electricity markets.

Do you consider that, even after the implementation of the demand response network code, some demand response will still be unable to participate in the market? If so, what barriers prevents their participation?

1000 character(s) maximum

Since the period before gate closure is for decentralized market decisions, any procurement by system operators during this time would likely reduce demand response participation in day-ahead markets (both implicit and explicit) by interfering with spot auctions and OTC trading.

Ensuring market access for demand response is essential to allow all electricity system resources to respond to system needs, thereby improving market efficiency. Aggregation through suppliers or aggregators already enables demand response, even for the smallest loads, by facilitating market participation and providing services such as market access, load testing, load activation, data exchanges to assess delivery, and supplier BRP corrections. Before thinking of new barriers or tools that might hinder or support demand response participation, we should first focus on fully implementing the provisions of the Clean Energy Package and ensuring the smooth adoption of the NCDR.

1.3.2

ACER understands that the technical requirements for participating in a peak-shaving product would not be lower than those for participating in day-ahead and intraday markets. This is because mechanisms like peak-shaving products, which provide remuneration for capacity (e.g., balancing capacity, capacity mechanisms), typically involve more stringent control processes (such as prequalification) than wholesale market participation.

Do you agree with ACER's understanding?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

We do not find additional benefits peak shaving products would bring compared to existing options for marketing demand response in short-term markets. They withdraw liquidity from balancing markets and alter the balancing capacity to be procured (up and downwards). Moreover, it creates a clear discriminatory bias in favor of demand response assets over other technologies providing balancing services which contradicts technological neutrality and non-discrimination in electricity markets. A similar mechanism in Portugal has already demonstrated its limitations.

Participation in a peak shaving scheme would still require pre-qualification, activation, and validation through baselines by the TSO, logically mirroring processes already in place for balancing services (because asymmetric criteria would lead to a direct distortion), so we are skeptical that such a measure would mobilize more explicit demand response than balancing services, as the technical challenges remain largely the same.

1.3.3

ACER understands that by providing remuneration for capacity, a peak-shaving product could enhance the business case for demand response developers and, in turn, support the development of additional demand response.

Do you agree with ACER's understanding?

- ☐ Fully agree
- ☐ Partially agree
- ☒ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Do you see any modifications to the characteristics (e.g., time of procurement, time of activation) of the peak-shaving product that would make it more attractive for demand response?

1000 character(s) maximum

We should focus on accurate and well-reasoned system needs, not on making some business cases viable since technologically neutral competitive markets provide the best indication for the business case of demand response. Regulatory interventions alter all kinds of business cases, including those of current aggregators of demand response. If peak shaving products are introduced in normal market conditions, prime movers in demand response (DR) aggregation could be penalized, and U-turns in decision-making and investments could occur. Eurelectric underlines that the direct impact of peak shaving products on the development of additional DR is not straightforward, considering a weekly reservation/remuneration scheme. At the same time, Eurelectric wishes to underline that the overall impact of peak shaving products on DR volumes, e.g. including the disruption of remuneration of other volumes of existing DR through the impact on wholesale prices may even be negative.

1.3.4

When demand response is activated through the peak-shaving product, its remuneration is higher than if it had been activated through the market. This is because a demand response asset participating in the peak-shaving product receives both a capacity payment and an activation price, which exceeds the wholesale market price (see Figure 1). As a result, there is a risk that the introduction of a peak-shaving product could lead to a shift of demand response away from wholesale markets toward the peak-shaving product.

Do you agree with this?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

Should demand response be able to choose between market participation and SOs products, it would likely shift towards the most remunerative option. It is unrealistic to expect additional demand response to emerge solely in reaction to SOs' products without access to existing markets and mechanisms. Conversely, demand response already active in markets may reallocate based on price signals, potentially favouring SOs' products if their price caps exceed those of spot auctions. Competitive and transparent markets ensure the most efficient resources are activated in merit order to meet system needs, without undue preference. The introduction of peak shaving products may distort this process by preventing SOs from selecting the most cost-effective solutions. If such products offer higher remuneration while reducing market liquidity, the outcome may be higher overall costs for end consumers, without any corresponding improvement in the quality or reliability of the service provided.

1.3.5

As a peak-shaving product reduces wholesale electricity prices, this might reduce the business case for the development of demand response projects to participate in wholesale electricity markets.

Do you agree with this?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

In coherence with our answer to question 1.3.3, we fully agree. Eurelectric supports the participation of demand response in wholesale markets. Therefore, it is crucial to ensure that such mechanisms do not create unnecessary barriers or distortions in the existing market structures.

2. Interaction of peak-shaving products with the electricity markets

2.1

ACER understands that by remunerating demand reduction at a price different from the wholesale electricity price, the introduction of a peak-shaving product could result in an inefficient dispatch and therefore a loss of socio-economic surplus. Specifically, demand response participating in the peak-shaving product may be activated and therefore not consume, even though its valuation is higher than the day-ahead price (see Figure 1). As a result, the economic surplus would have been increased if this demand had been allowed to consume instead.

Do you agree with ACER's understanding?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

It indeed creates an economically inefficient dispatch if the valuation is higher than the day-ahead price, as the consumer would have preferred to actually buy the electricity. On the other hand, if the valuation was lower than the day-ahead price, it would not have been cleared anyhow in the day-ahead market. The latter case would represent an identical market outcome compared to the peak shaving product, but without the capacity remuneration. Therefore, the peak shaving product represents an inefficient instrument irrespective of whether the activation price is higher or lower than the day-ahead price.

2.2

In an integrated market, ACER understands that by reducing national demand, a System Operator would also lower electricity prices in other Member States. This price reduction could, in turn, impact the incentives for demand response development in those markets or affect their security of supply.

Do you agree with ACER's understanding regarding the cross-border impact of activating a peak-shaving product?

- ☒ Fully agree
- ☐ Partially agree
- ☐ Partially disagree
- ☐ Fully disagree
- ☐ No opinion

Feel free to justify your answer above.

1000 character(s) maximum

Please refer to our answers to questions 1.1.2 regarding the cross-border impacts. Within a bidding zone and in the short term, the effect largely depends on the volume involved, as smaller interventions may have a limited impact while larger volumes could distort market signals. However, we warn that in the medium and long term, consistently suppressing price signals through peak shaving risks undermining the economic viability of flexibility. This could lead to exits from the market, ultimately reducing available flexibility and exacerbating price spikes rather than mitigating them and other worrying impacts, as explained in answer to question 1.1.1. Additionally, as already mentioned, the activation of peak shaving products affects the balancing market (peak shaving may limit real-time flexibility when opposite balancing needs arise) and will trigger additional costs, either for the Balancing Responsible Party or the system operator, which will be passed to consumers.

2.3

Do you have any other comments on the interaction between a peak shaving product and existing mechanisms and markets (capacity mechanism, balancing products, wholesale markets)?

1000 character(s) maximum

We caution about uncertainty and legal issues, particularly in forecasting prices by NEMOs and/or TSOs, which may distort market coupling. Forecasting could act as a shadow price, leading to unintended consequences like mimicry of market participants' behavior. Moreover, peak shaving products conflict with the Electricity Regulation, which mandates no price limits except for technical ones, potentially introducing artificial bidding obligations with pre-defined prices. The experience of past crises has shown that regulatory uncertainties and market distortions negatively impact investor confidence, with ripple effects across different timeframes. By eliminating hedging incentives and needs, especially for industrial consumers participating in peak shaving, such uncertainties could further undermine market stability and long-term investment in the sector and distort valuation of peak/off-peak tariffs as defined in the Electricity Directive.

3. Other

You are kindly invited to share your general view on the topic of peak-shaving products. Feel free to provide any other benefit or disadvantage of the introduction of peak-shaving products under normal market circumstances, as well as any other comments.

1000 character(s) maximum

ACER refers to potential amendments to the Electricity Regulation in the form of a legislative proposal. We oppose to the introduction of peak shaving products in general, as explained above, but we warn specifically about the introduction of a new layer of complexity and the risk of market fragmentation if a patchwork of national initiatives materialise, because article 7a does not foresee the existence of a market-wide standard product. This would challenge ACER/EC competences regarding market surveillance and preservation of market integrity at EU level. Peak shaving products should be subject to state aid approval. Alternatively, peak shaving products could be specific balancing products. In this case, they must comply with Electricity Regulation and Balancing Guidelines (e.g. not impacting in day-ahead, regularly assessed, distinction to standard products, specific need not covered otherwise) and be regularly justified, so not complying with article 7a.

Confidentiality question

* Does your response contain confidential information?

☐ Yes.

☒ No.

Contact

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Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: [4271427696-87](https://ec.europa.eu/transparency/regexpert/?s=details&id=4271427696-87)