

To the kind attention of **Elisabeth Köstinger**  
Minister for Sustainability and Tourism  
Austria  
*Cc: EU 27 Energy Ministers*

Brussels, 19 September 2018

**RE: Implementation of the Energy Union Governance Regulation – an opportunity for Austria to quantify the flexibility potential and define national flexibility roadmaps**

Dear Minister for Sustainability and Tourism,

As foreseen by the Energy Union Governance Regulation agreed on 20 June by the three EU institutions, by December 2018 each Member State has to submit to the European Commission the draft Integrated National Energy and Climate Plan (INECP) detailing the 2030 targets, national objectives and how to achieve them.

Within this context, smartEn, the European business association for digital and decentralised energy solutions, would like to highlight the importance of defining and monitoring a **national objective for increasing system flexibility**<sup>1</sup>, so as to provide the necessary prioritization and predictability to the market.

Increasing system flexibility is vital to support the integration of growing shares of renewable energy while fostering demand response and energy storage, empowering consumers to be active players in the energy system, reducing overall system costs, and increasing security of supply. By enabling decentralised flexibility resources, including on the demand-side, to participate in the European electricity system, the social welfare can be increased by up to €2.8 billion annually.<sup>2</sup>

According to the European Commission's Impact Assessment on Electricity Market Design, improved market conditions providing access to all flexibility options would also directly translate into a reduction of wholesale electricity supply costs by around €50 billion in the year 2030.

Through the current preparation of the draft INECP, Austria now has the opportunity to:

- quantify the existing flexibility at national level. To enable the market to make optimal use of all flexible resources and understand existing barriers, it is essential to know how much flexible capacity is already available and how the volumes are being used;
- set a national flexibility objective for 2030. The definition of a national objective can provide a coherent long-term perspective for investors, and help quantify the size of the market. If business players know how much flexibility capacity is expected to be sold in the future, they can make better investment decisions to make use of the untapped potentials and further grow the market;
- define a national flexibility roadmap consistent with the projected increase of all decentralised energy resources. This entails the identification of necessary policies and measures to support the achievement of the national objective, for example by removing obstacles to demand response, storage, distributed generation and aggregation;
- monitor and report progress following a detailed timeline. A clear timeframe gives important visibility to investors and provides a central reference for progress.

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1 Art. 4.d.3 (National objectives on the internal energy market), Art. 21.1.d (Integrated reporting on the internal energy market), Annex I, Part 1, Section A, Part 2.4.3 (General framework of the INECP on Market Integration)

2 "Mainstreaming RES Flexibility portfolios: Design of flexibility portfolios at Member State level to facilitate a cost-efficient integration of high shares of renewables" (page 70) [https://ec.europa.eu/energy/sites/ener/files/mainstreaming\\_res\\_-\\_artelys\\_-\\_final\\_report\\_-\\_version\\_33.pdf](https://ec.europa.eu/energy/sites/ener/files/mainstreaming_res_-_artelys_-_final_report_-_version_33.pdf)

Every region can build on a variety of flexibility options including the potential of demand response, storage and renewable energy sources, as well as the existing generation assets and the available interconnection capacity. As each flexibility measure provides a qualitatively different flexibility service, an optimal flexibility portfolio will include a mix of various resources that is regularly monitored and adjusted over time.

While there is no binding methodology for defining flexibility roadmaps to evaluate and characterise the flexibility, the approach developed for the European Commission in 2017 provides useful guidance, while allowing to reflect national specificities.<sup>3</sup> It has already been used as a reference by five Member States to provide Technical Assistance for the development of national plans. The implementation of a robust and transparent methodology will make it easier to monitor progress and follow the reporting mechanisms set by the Governance Regulation.

The transparent definition of INECs through a public consultation with stakeholders will support the appropriate definition of this national objective to reap the full benefits of flexibility.

We urge Austria, as well as each Member State of the EU, to grasp the potential of the abovementioned provisions in the Governance Regulation: this effort is a crucial opportunity that will enable citizens, market players and the entire energy system to reap the full benefits of the diversity of flexibility resources.

We are at your disposal to offer our support in unlocking the potential of system flexibility in your country.

Your sincerely,



Frauke Thies  
Executive Director, smartEn

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<sup>3</sup> “Mainstreaming RES Flexibility portfolios: Design of flexibility portfolios at Member State level to facilitate a cost-efficient integration of high shares of renewables” <https://ec.europa.eu/energy/en/studies/design-flexibility-portfolios-member-state-level-facilitate-cost-efficient-integration-high>

## About smartEn - Smart Energy Europe

**smartEn is the European business association for digital and decentralised energy solutions.** Our members include innovators in services and technology for energy and data management, finance and research. By taking an integrated perspective on the interaction of demand and supply, our mission is to promote system efficiency, encourage innovation and diversity, empower energy consumers and drive the decarbonisation of the energy sector.



*The positions expressed in this document represent the views of smartEn as an association, but not necessarily the opinion of each specific smartEn member*