smartEn
Smart Energy Europe

Response to consultation on the establishment of the annual priority lists for the development of network codes and guidelines for 2019 and beyond

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About smartEn - Smart Energy Europe

smartEn is the association of market players driving digital and decentralised energy solutions.
A successful European energy transition requires the intelligent cooperation between consumption, distribution, transmission and generation, acting as equal partners in an integrated energy system.

Our **vision**:
The digitally enabled interaction of demand and supply is an integral part of an increasingly decentralised, decarbonised energy system.

Our **mission**:

- **Promote system efficiency** through the advanced management and integration of electricity demand and supply in homes and buildings, transportation, businesses and decentralised energy projects.
- **Empower energy users** by enabling them to participate in the energy market through flexible demand, storage, self-generation and the participation in community projects, and giving them control of their energy data.
- **Encourage innovation and diversity** by enabling new market players and service offers that provide attractive choices for consumers and allow for healthy competition.
- **Drive the decarbonisation of the energy sector** through the cost-effective integration of renewable sources and the electrification of heating, cooling and transport.

Consultation on the establishment of the annual priority lists for the development of network codes and guidelines for 2019 and beyond

smartEn has identified a series of outstanding issues in the current scope and design of network codes that need to be addressed for a correct implementation of new flexible, digital and decentralised solutions.

1. A need to move away from the silos

The design of the current network code, while suitable for most current and traditional technologies is not favourable to the inclusion of innovative technologies in the new decentralised energy landscape. This is because the network codes depend on the definition of asset classes, which are currently not designed to encompass emerging technologies. Storage for example does not fit into any of the traditional asset classes. Storage can either be a generation or consumption asset or both at the same time. Classifying storage incorrectly in one asset class will limit the services it can provide, hindering its development and business case. Ultimately the alternative to asset classes is to define the services required by the grid and to allow different technologies to provide them. For this approach to work, ENTSO-E and the European Commission need to adapt the way current network codes are built upon the concept of asset classes.

smartEn recommends an interim solution until the service-definition approach can be implemented. Storage, and similar technologies, should be allowed to participate in all services to the grid with an update by the relevant authorities of the current network codes. By including addenda to the existing network codes, these technologies should be able to participate within the current network code design, unrestricted by the suboptimal asset classes they have currently been assigned to. Within this interim solution, storage for example, could either be considered a separate asset class or benefit from improved access conditions within each of the existing asset classes. Finally, both a service-definition approach and the interim solution must acknowledge the dual functionality of these assets. Especially to ensure they are not unduly double-taxed for the energy exported; energy that was bought with the specific purpose to provide grid services.

2. Flexibility in the Network Codes

The potential of flexibility trading and demand response are not fully embraced in the current network codes. smartEn sees the need for a network code on flexibility trading to define and encourage the services that can be provided by flexible technologies like storage or demand response. Currently these technologies are participating in the market under rules that benefit traditional generation. The network code on flexibility trading should provide the framework for product definitions that are designed from a system-needs perspective, that are technology neutral and open to all flexibility providers. It should also elaborate on common principles Member States should follow when implementing EU framework. For instance, on the way Member States should take into account the benefits of demand response in their national rules. Because the transposition deadline is fairly short (end of 2020), such work should already be included in the priorities for 2019.
The rules for flexibility trading should take into account the following points:

- Streamlined, technology neutral products to allocate flexibility efficiently and ensure liquidity in the markets.
- Differentiated products for congestion management and balancing services
- Portfolio-based bidding should always be possible. Aggregators should be responsible to manage their portfolios in an independent manner and bid freely with it. As they can handle

the requisites of the product on an aggregated level no details need to be disclosed as to which individual assets are activated. This also applies to virtual power plants.
- Procurement should always be market-based, avoiding bilateral deals between DSOs and providers as much as possible

3. Thorough implementation of existing Network Codes

smartEn has identified a series of discrepancies in different countries to the implementation of current Network codes, especially regarding the Electricity Balancing Guideline. For example, in France, where the procurement rules for the tertiary reserves in the balancing markets are expected to remain on the basis of yearly procurement, not totally aligned with the principles established by the EBGL.
For the new ancillary services cooperation platforms to be effective it is necessary for the network codes to be fully and equally adopted in all cooperating regions to not create unnecessary distortions.
smartEn encourages the European Commission to stress the importance of the correct implementation of the existing network codes.

4. EC DG Energy (Directorate B – Internal Energy Market) Expert Group 3 – Demand Side Flexibility

The European Commission has organised a group of industry stakeholders to provide input regarding the possible need for new network codes regarding flexibility and demand response. The final report of this group will be presented in the coming weeks and will cover the barriers identified in the current framework in great detail, as well as recommendations to overcome them. These solutions could be included in a network code specific for flexibility trading and/or demand response, and as such should be considered when reviewing the results of the present consultation.