

To the kind attention of **Veronica Gaffey**  
Chair of the Regulatory Scrutiny Board, European Commission

*cc: Members of the Regulatory Scrutiny Board*

**Reflecting the value of demand-side flexibility to support a cost-effective decarbonisation  
in the Impact Assessments for the Fit for 55 Package**

Brussels, 8 April 2021

Dear Ms Gaffey,

As Commission President von der Leyen stated, the European Green Deal represents nothing less than Europe's 'man on the moon'. For Europe to meet this goal, the empowerment and active participation of European energy users – citizens and businesses alike – are key to make the clean energy transition a success for the environment, economy and society.

smartEn, the European business association integrating the consumer-driven solutions of the clean energy transition, encourages the Regulatory Scrutiny Board, in its evaluation of the Impact Assessments for the revisions of both the Renewable Energy and Energy Efficiency Directives, to ensure proper recognition of the value of demand-side flexibility to the cost-effective EU decarbonisation efforts while supporting a more variable energy system.

As already calculated by the European Commission, if local level network constraints are addressed through the use of flexible loads, avoided investments can be of the order of up to €5 billion per year up to 2030<sup>1</sup>. In Germany, a recent study calculated that with the use of local flexibility markets, the reduction of congestions and the need for infrastructure investments, total costs can reduce up to 57% with total savings of €53 billion until 2050<sup>2</sup>.

For the US market, it has been estimated that a demand-side flexibility capacity of 20% of US peak load by 2030 would be cost-effective and could even be worth more than \$15 billion annually in avoided system costs<sup>3</sup>. Unfortunately, modelling schemes and Impact Assessments at European level are short-sighted and still do not properly quantify system efficiency improvements following the activation of demand-side flexibility, but figures for Europe are expected to be similar.

Actions are urgently needed to untap this potential, which we expect the Impact Assessments would highlight, and we urge the forthcoming legislative proposals by the European Commission to push for the activation of demand-side flexibility and pull the development of prosumers business models.

We count on your support in ensuring that the potential of demand-side flexibility and consumer empowerment are duly emphasised in the Impact Assessments as reliable and indispensable resources to support higher energy efficiency and renewable energy targets and achieve climate neutrality in the most cost-effective way. We are at your disposal for any clarification you may need.

Yours sincerely,



Michael Villa  
Executive Director, smartEn

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<sup>1</sup> [https://ec.europa.eu/commission/commissioners/2019-2024/simson/announcements/speech-commissioner-simson-smart-energy-europe-smarten-online-symposium\\_en](https://ec.europa.eu/commission/commissioners/2019-2024/simson/announcements/speech-commissioner-simson-smart-energy-europe-smarten-online-symposium_en)

<sup>2</sup> Ökonomische Bewertung des Nutzens lokaler Koordinationsmechanismen in der Stromversorgung, March 2021

<sup>3</sup> Brattle 2019: 2019 Utility Demand Response Market Snapshot. <https://sepapower.org/resource/2019-utility-demand-response-market-snapshot/>