To the kind attention of **Christian Zinglersen**
Director, ACER

Enhancing the assessment of Demand-side Flexibility in ERAA for an efficient use of resources

Brussels, 17 May 2023

Dear Christian,

A solid assessment and quantification of benefits and potentials offered by demand-side flexibility will stimulate the establishment of market-based mechanisms to activate and reward consumers' flexibility.

Although ENTSO-E improved its methodology on flexible demand (DSF) in its 2022 ERAA, we regret that ACER did not formulate specific recommendations in its decision and expressed an overall satisfaction in this regard. When assessing potential resource adequacy concerns in the EU, ENTSO-E should adequately take into account the role that Decentralised Energy Resources (DERs) can play.

Demand management solutions, distributed renewable generation and energy storage facilities can provide reliable, climate-friendly and cost-effective flexible capacity instead of outdated and expensive fossil fuel power plants, notably to support the increasing daily system flexibility needs.

smartEn acknowledges the progress made by ENTSO-E combining both ENTSO-E centralised approach and national studies to assess explicit DSF in ERAA. Nevertheless, the following concerns are expressed by smartEn members:

- As even stated in ACER's technical analysis but not in its conclusions, the assumptions of some TSOs are undermining the profitability of DSF resources, by assigning investment costs to already deployed assets, that otherwise are not incurring in these costs. This creates an uneven playingfield when comparing their total costs to those of traditional assets.
- Only 2 specific technologies are identified as flexible assets, EVs and heat pumps. The flexibility potential of other energy smart devices and energy management systems in both buildings and industrial sectors is not taken into consideration.
- Baseline methodologies for EVs and heat pumps and on the overall share of consumers that offer their flexibility, as set by every TSOs, is unclear:
    - Information is missing on how ENTSO-E determines the charging profile of EVs and which criteria are taken into account in this profile.
    - The selected time intervals of 6 hrs during which consumers are expected to shift their consumption are rather arbitrary since they do not correspond to the expected use cases currently observed in the market.
    - The estimated volumes of flexible consumers for EVs and heat pumps is rather conservative[1].

The enhanced role of DSF should be more realistically reflected in the ERAA 2023 and in particular a common methodology for the national studies performed by TSOs that assess DSF should be requested by ACER for next editions of the ERAA to avoid inconsistencies. We acknowledge ACER's call for more information about DSF input and assumptions in the reply to ENTSO-E public consultation on ERAA 2023.

Yours sincerely,

Michael Villa
Executive Director
smartEn

[1] smartEn and DNV's study on DSF quantification of benefits in the EU assessed that by 2030 the available upward flexibility (increasing generation or reducing demand) power for smart charging is 48,704MW; V2G: 25594MW; and Residential electric heating: 32,841 MW. The available downward flexibility power (decrease of generation or increase of demand.) for smart charging is 16,295MW; V2G: 25,594MW; and electric heating 73,385MW.https://smarten.eu/wp-content/uploads/2022/09/SmartEN-DSF-benefits-2030-Report_DIGITAL.pdf

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ABOUT smartEn - Smart Energy Europe

smartEn is the European business association integrating the consumer-driven solutions of the clean energy transition. We create opportunities for every company, building and car to support an increasingly renewable energy system. Our membership consists of the following companies:

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