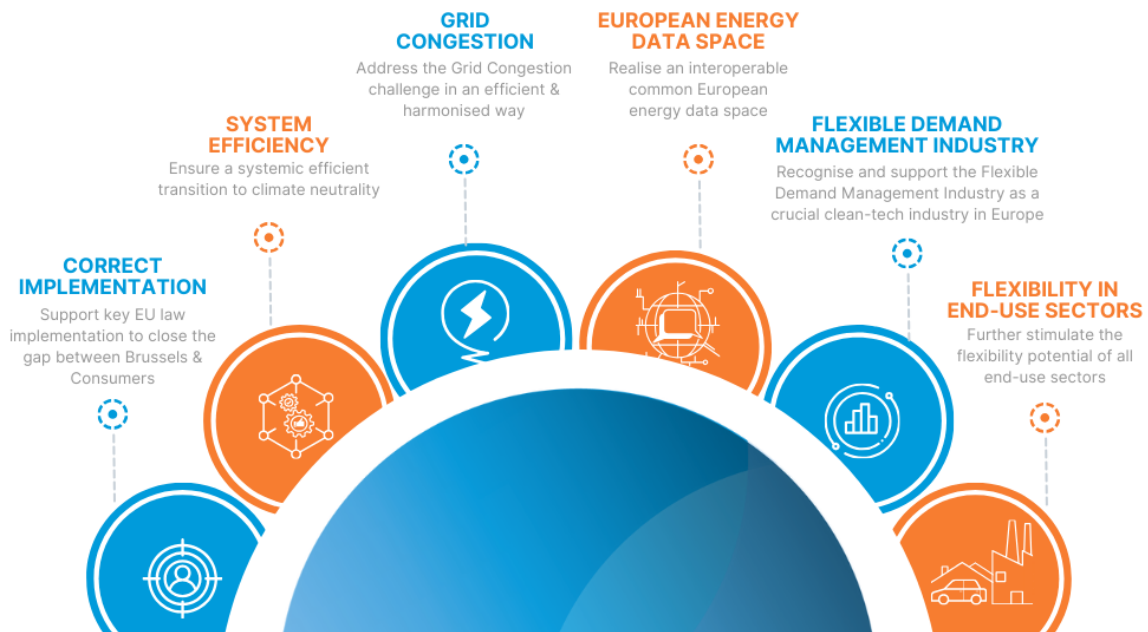


Priorities for the EU legislature 2024/2029: Empowering energy consumers for a stronger, modern Europe



PRIORITIES FOR THE EU LEGISLATURE 2024/2029: EMPOWERING ENERGY CONSUMERS FOR A STRONGER, MODERN EUROPE



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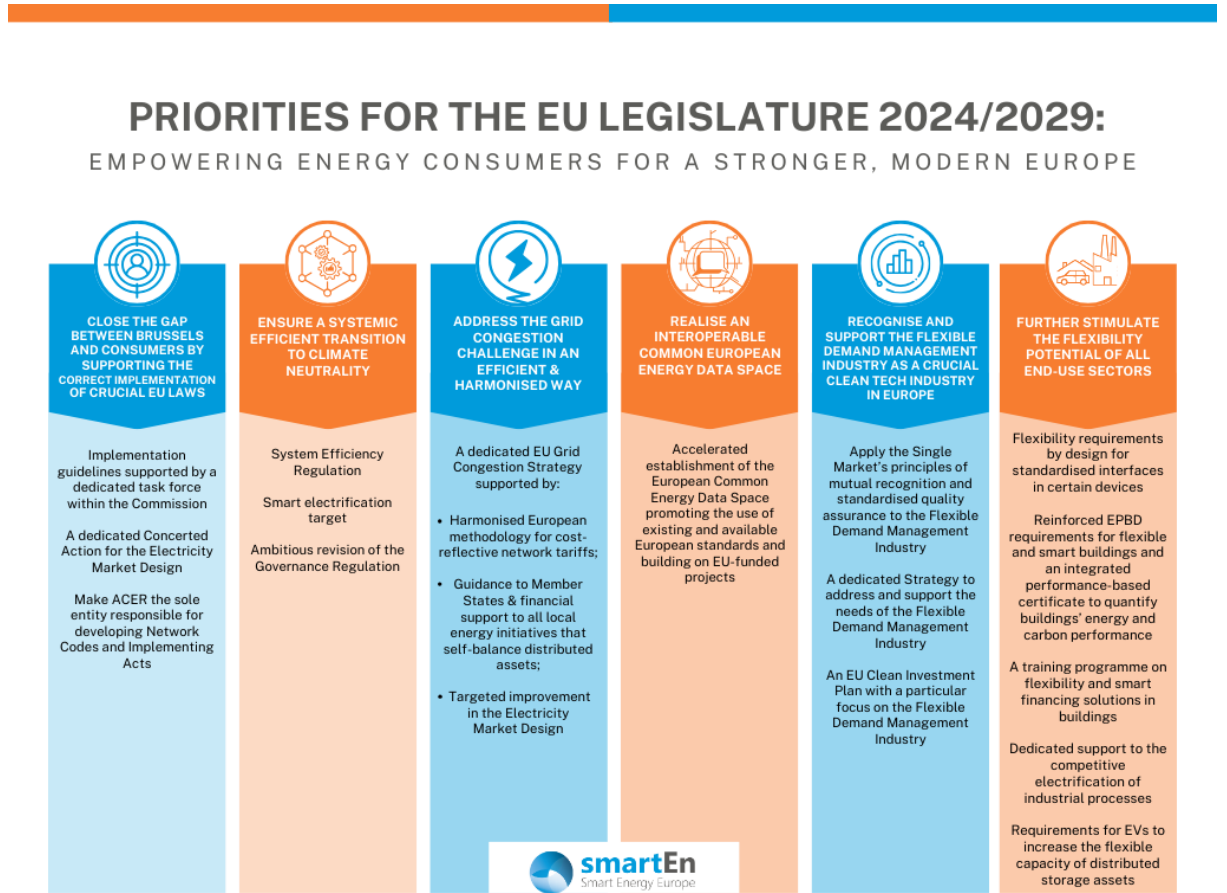
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Over the past two legislatures, EU policymakers were able to shape one of the best regulatory framework for demand-side flexibility in the world, opening opportunities for all energy consumers to be empowered and contribute to a clean, secure and efficient energy system.

Yet, many restrictions still hinder the activation of flexible demand across Europe. In many Member States a proper legal framework to facilitate and enable business models for consumers' flexibility is still missing, as confirmed in a recent report by ACER¹.







As price spikes and negative prices are increasingly frequent, sending clear signals on when and where there is a need to shift or cut energy demand or consume locally produced renewable energy is an urgent priority. This will benefit both the cost-effective systemic transition to climate neutrality and the reduction of all consumers' energy bills, from households to large industries.

To contribute to an impactful legislature 2024/2029 that would strengthen the EU competitiveness, security and sustainability with efficient and flexible consumers as the driving force, smartEn has identified the following 6 top priorities:



PRIORITIES FOR THE EU LEGISLATURE 2024/2029:

EMPOWERING ENERGY CONSUMERS FOR A STRONGER, MODERN EUROPE

Icon	Priority Title	Key Actions
	CLOSE THE GAP BETWEEN BRUSSELS AND CONSUMERS BY SUPPORTING THE CORRECT IMPLEMENTATION OF CRUCIAL EU LAWS	<ul style="list-style-type: none"> Implementation guidelines supported by a dedicated task force within the Commission A dedicated Concerted Action for the Electricity Market Design Make ACER the sole entity responsible for developing Network Codes and Implementing Acts
	ENSURE A SYSTEMIC EFFICIENT TRANSITION TO CLIMATE NEUTRALITY	<ul style="list-style-type: none"> System Efficiency Regulation Smart electrification target Ambitious revision of the Governance Regulation
	ADDRESS THE GRID CONGESTION CHALLENGE IN AN EFFICIENT & HARMONISED WAY	<ul style="list-style-type: none"> A dedicated EU Grid Congestion Strategy supported by: <ul style="list-style-type: none"> Harmonised European methodology for cost-reflective network tariffs; Guidance to Member States & financial support to all local energy initiatives that self-balance distributed assets; Targeted improvement in the Electricity Market Design
	REALISE AN INTEROPERABLE COMMON EUROPEAN ENERGY DATA SPACE	<ul style="list-style-type: none"> Accelerated establishment of the European Common Energy Data Space promoting the use of existing and available European standards and building on EU-funded projects
	RECOGNISE AND SUPPORT THE FLEXIBLE DEMAND MANAGEMENT INDUSTRY AS A CRUCIAL CLEAN TECH INDUSTRY IN EUROPE	<ul style="list-style-type: none"> Apply the Single Market's principles of mutual recognition and standardised quality assurance to the Flexible Demand Management Industry A dedicated Strategy to address and support the needs of the Flexible Demand Management Industry An EU Clean Investment Plan with a particular focus on the Flexible Demand Management Industry
	FURTHER STIMULATE THE FLEXIBILITY POTENTIAL OF ALL END-USE SECTORS	<ul style="list-style-type: none"> Flexibility requirements by design for standardised interfaces in certain devices Reinforced EPBD requirements for flexible and smart buildings and an integrated performance-based certificate to quantify buildings' energy and carbon performance A training programme on flexibility and smart financing solutions in buildings Dedicated support to the competitive electrification of industrial processes Requirements for EVs to increase the flexible capacity of distributed storage assets

¹ www.acer.europa.eu/sites/default/files/documents/Publications/ACER_MMR_2023_Barriers_to_demand_response.pdf

1. CLOSE THE GAP BETWEEN BRUSSELS AND CONSUMERS BY SUPPORTING THE CORRECT IMPLEMENTATION OF CRUCIAL EU LAWS

Relevant provisions included in the 2019 Electricity Market Design and its more recent update, the revisions of the Energy Performance of Buildings Directive, the Energy Efficiency and Renewables Directives and the Alternative Fuels Infrastructure Regulation can help tackle the immediate challenges facing Europe's energy system marked by highly fluctuating energy prices and grid congestions. These EU laws must be implemented in all Member States to unleash the full demand-side flexibility potential in 2030².

smartEn calls for:

- the European Commission to prioritise the implementation of all relevant EU rules for demand-side flexibility, engage in regular bilateral discussions with all EU27 capitals and **develop Implementation Guidelines** to support Member States for a correct implementation, highlighting interactions between different EU laws. A dedicated task force with officials from different Directorates and Units within the European Commission should be set up to support this effort;
- the establishment of a **dedicated Concerted Action for the Electricity Market Design**, building on the experience of the existing Concerted Actions³ to encourage dialogue between Member States on implementation.
- the accelerated and impartial **development of future Network Codes and Implementing Acts with ACER** as the entity responsible for both the drafting and implementation, following transparent and regular consultations with all relevant stakeholders. To support harmonised implementation and interoperability, ACER should consider the use of European standards and open API.

2. ENSURE A SYSTEMIC EFFICIENT TRANSITION TO CLIMATE NEUTRALITY

Energy efficient and flexible consumers hold the key for a cost-effective transition to climate neutrality. If consumers are not enabled to play an active role by reducing their consumption, shifting it when necessary, storing and generating renewable energy on-site, the clean energy transition will require many more investments than the estimated 1.3 trillion Euro/year to support the EU decarbonisation pathway. Grid congestion costs, expensive curtailments of renewables and unnecessary investments in peak generation capacity will increase the total costs of the clean energy transition that will be ultimately borne by consumers. The EU political system cannot allow it. Resources and funds must be wisely allocated.

smartEn calls for:

- a **System Efficiency Regulation** to define key features of an efficient, increasingly electrified, consumer-centric energy system. It should set a European harmonised methodology to track progress in a quantifiable manner to achieve the 2040 target cost-effectively;
- the Regulation should be supported by a **smart electrification target** that would cover all end-use sectors. While we know that the electrification rate must reach between 58% and 71% by 2050, for the decarbonisation pathway to be efficient, electrification must be smart and consumer-centric. Electrification in buildings, vehicles, and industries should be coupled with flexible adjustments of efficient consumption in a time-dependent way, to fully deliver on its potential and mitigate the costs for all;
- an **ambitious revision of the Governance Regulation** to require a “national collaborative governance” to avoid a silo approach between Ministries and Divisions in each Member States, and foster national cooperative reflections among policymakers and stakeholders to improve the efficiency of the national energy systems, to be reported in solid National Energy and Climate Plans.

² In September 2022, smartEn published a major study carried out with the independent consultants from DNV. The report quantifies the benefits of demand-side flexibility (DSF) in the EU in 2030 https://smarten.eu/wp-content/uploads/2022/09/SmartEN-DSF-benefits-2030-Report_DIGITAL.pdf

³ On the Energy Performance of Buildings Directive, the Energy Efficiency and Renewable Directives

3. ADDRESS THE GRID CONGESTION CHALLENGE IN AN EFFICIENT AND HARMONISED WAY

The grid congestion challenge will soon become an urgent issue across Europe, not limited to The Netherlands, if EU 2030 renewables targets are met and the electrification rate is rapidly increasing. Several solutions to tackle grid congestions currently contemplated are inefficient, expensive and would ultimately increase costs to be borne by consumers – a scenario which is politically unacceptable.

The smart operation of networks thanks to the activation of non-wire alternatives is an efficient approach to tackle grid congestions. In fact, experience shows that new cables are long to deploy, taking typically between 5 to 10 years. And while we need to advance these investments in wires, we must use in the best way the existing network and the connected consumers, if we want to achieve cost-effectively our 2030 European Green Deal (EGD) objectives. The next EU legislature should help deliver, not delay the EGD.

smartEn calls for:

A dedicated **EU Grid Congestion Strategy** to foster harmonised approaches to tackle grid congestion issues across the EU by unleashing the contribution of connected, flexible consumers, building on existing EU requirements for the efficient operational use of networks.

This Strategy should be supported by:

- a **harmonised European methodology for cost-reflective network tariffs**;
- a **dedicated guidance to Member States and financial support to all local energy initiatives that self-balance distributed assets part of local schemes**. Citizens Energy Communities, Renewable Energy Communities and Energy Sharing Schemes should not increase local congestions, but help solve them. This is possible if all these local energy initiatives self-balance the use of behind the meter loads, distributed generation and storage assets participating in these schemes;
- a **targeted improvement in the Electricity Market Design** to ensure coordination among the different electricity markets and services to system operators to allow value stacking for optimal use of flexibility from decentralised energy resources and avoid lock-in of flexibility solutions only for system services.

4. REALISE AN INTEROPERABLE COMMON EUROPEAN ENERGY DATA SPACE

Demand-side flexibility is inherently data-driven. Consumers must receive signals to adjust their consumption and generation patterns.

There is currently no common EU energy data space to facilitate energy data sharing across the energy sector, in a harmonised way across Europe. At the moment, confusion is dominating. The implications of the Data Act to the Flexible Demand Management Industry and the interactions with sector specific legislation remain unclear and the draft Implementing Regulation on data interoperability for Demand Response is still in development.

smartEn calls for:

- **the accelerated establishment of the European Common Energy Data Space**, with interoperability at its core, covering roles and responsibilities from all concerned parties, data governance rules and compensation as well as all the necessary data flows to activate flexible demand providers based on their consent: from behind-the-meter assets to flexibility service providers, system operators and electricity markets. The European Common Data Space should **promote the use of existing and available European standards** and **build on EU-funded projects** that are advancing business innovation for a pan-European energy data infrastructure.

5. RECOGNISE AND SUPPORT THE FLEXIBLE DEMAND MANAGEMENT INDUSTRY AS A CRUCIAL CLEAN TECH INDUSTRY IN EUROPE

As a strategic sector for a stronger Europe, the Flexible Demand Management Industry should be specifically supported.

There is a need to increase market offers, ensure the development of viable business models for demand-side flexibility and allow all consumers – from households to large companies - to be remunerated for increasing the efficiency of the overall energy system, directly or through the support of aggregators.

smartEn calls for:

- the application of the **Single Market's principles of mutual recognition and standardised quality assurance to the Flexible Demand Management Industry**, as already applied in other sectors (e.g. food and pharmaceutical industry). These principles should be applied to *both flexibility services and flexible assets* to boost their economic attractiveness and ensure a harmonised European market for the activation of flexible demand, without hindering innovation in the sector;
- a dedicated **Strategy to address and support the needs of the Flexible Demand Management Industry**, as part of the Industrial Decarbonisation Deal, to recognise it as a strategic clean tech industry capable of providing a large variety of solutions to address the short and long-term challenges of the clean energy transition such as grid congestions and price volatility;
- an **EU Clean Investment Plan with a particular focus on the Flexible Demand Management Industry**, geared towards clean tech manufacturing and data-driven services developed in Europe, supported by the next EU Multi-Annual Financial Framework and financing opportunities from the European Investment Bank.

6. FURTHER STIMULATE THE FLEXIBILITY POTENTIAL OF ALL END-USE SECTORS

The Fit for 55 package introduced some measures to unleash the flexibility potential of some end-use sectors, notably for electric vehicles with clear smart charging requirements. To activate the flexibility potential of buildings and industry the current EU rules must be complemented.

smartEn calls for:

- the definition of **flexibility requirements by design for standardised interfaces in certain devices** to ensure the market availability of flex-ready devices;
- a **strengthening of EPBD requirements for flexible and smart buildings** and an **integrated performance-based certificate to quantify the actual energy and carbon performance of a building**, to merge and improve existing tools and provide valuable information for occupants, market players and system operators;
- a targeted **training programme for building managers, social housing agencies and other advisory services as one-stop shops to ensure they are fully aware of available flexibility solutions and smart financing options**. Households might rely on the advice of intermediaries and if these third parties are not aware about the flexibility options for buildings, the potential will remain untapped;
- a **dedicated support for the competitive electrification of industrial processes**, by offering incentives for energy-intensive industries to **invest in and adopt flexible solutions**, eventually through a specific Energy Performance of Industry Directive if the carbon price does not spur industrial flexibility;
- **clear regulatory requirements for bidirectional charging for electric vehicles**, the **activation of flexibility from heavy-duty vehicles, public and private EV fleets**, and the **removal of double taxation of stored electricity** through a serious revision of the Energy Taxation Directive. These measures will increase the available flexible capacity of distributed storage assets.

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:



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

For further information about smartEn, please visit www.smarten.eu