REVISION OF THE ELECTRICITY MARKET DESIGN

E.DSO position on Council's approach - June 2023

WHAT WE SUPPORT

- Limitation of peak shaving products to a crisis mechanism
- **Distinction** between main metering and measurement device
- Introduction of an appropriate timeline for **assessments of flexibility needs**

WHAT IS MISSING

- **Geographical limitations of energy sharing determined by MS to** match local generation & local consumption and eventually, to avoid congestion
- Stronger incentives for MS to **implement balanced investment frameworks**
- Ensuring an adequate framework for investment assessments by including also **medium and long term**.
- Clarification that **only the main meter must be used for billing purposes** to avoid variety of sub-standards. Need to link **existing legislation on metering**.
- A consistent acknowledgment of the **DSO's role in peak shaving**
- Focus on **demand response & storage in flexibility assessments, which will** ensure consistency among MS.
- **Allow existing investments in DSR & storage participate in flexibility support** schemes along with new investments if special support is needed.
- **Support schemes including a locational criteria** that ensures new investments in generation to take place in the optimal place & avoid congestion.
- **Non-binding national objectives** for flexibility, as progress depends on national experiences.

ABOUT US

E.DSO promotes and enables **customers empowerment** and the increase in the use of **clean energy sources** through electrification, the development of smart and digital grid technologies in real-life situations, new market designs and regulation. We gather **35 leading electricity DSOs**, including 2 national associations, cooperating to ensure the reliability of Europe's electricity supply for consumers and enabling their active participation in our energy system. How? By shaping smarter grids for your future.

https://www.edsoforsmartgrids.eu/

Detailed amendments

E.DSO Proposed changes appearing as ***~~deleted~~*** or ***added (*****supported** - **to be improved** - **unwelcomed**)

Council amendments **highlighted.**

N°	Commission Proposal (14 March 2023)	Council (June 2023)	E.DSO Recommendations (June 2023)	E.DSO Justification
***Recital (16)* – Regulation (EU) 2019/943 – Peak shaving**				
1	To ensure the efficient integration of electricity generated from variable renewable energy sources and to reduce the need for fossil-fuel based electricity generation in times *when there is high demand for electricity combined with low levels of electricity generation from variable renewable energy sources,* it should be possible for transmission system operators to design a peak shaving product enabling demand response to contribute to decreasing peaks of consumption in the electricity system at specific hours of the day. The peak shaving product should contribute to maximize the integration of electricity produced from renewable sources into the system by shifting the electricity	To ensure the efficient integration of electricity generated from variable renewable energy sources and to reduce the need for fossil-fuel based electricity generation **in situations of electricity price crisis** ~~times when there is high demand for electricity combined with low levels of electricity generation from variable renewable energy sources,~~ it should be possible for transmission system operators to design a peak shaving product enabling **additional** demand response **in order to** contribute to decreasing ~~peaks of~~ consumption in the electricity	To ensure the efficient integration of electricity generated from variable renewable energy sources and to reduce the need for fossil-fuel based electricity generation in times electricity generation from variable renewable energy sources, it should be possible for transmission system operators, ***in collaboration with distribution system operator*****,** to design a peak shaving product enabling demand response to contribute to decreasing peaks of consumption in the	E.DSO supports the Council's ambitions to **make peak-shaving a mechanism applicable during electricity price crisis only**. In this regard, we support the additional use of peak shaving as mechanism to contribute to security of supply during an electricity price crisis.

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	consumption to moments of the day with higher renewable electricity generation. As the peak shaving product aims to reduce and shift the electricity consumption, the scope of this product should be limited to demand *side* response. The procurement of the peak shaving product should take place in such a way that it does not overlap with the activation of balancing products which aim at maintaining the frequency of the electricity system stable. In order to verify volumes of activated demand reduction, the transmission system operator should use a baseline reflecting the expected electricity consumption without the activation of the peak shaving product.	system ~~at specific hours of the day. In addition.~~ **As such the peak shaving product should, in addition to contributing to lowering wholesale electricity prices, contribute to ~~ensuring~~ security of supply during an electricity price crisis.** ~~The peak shaving product should contribute to maximize the integration of electricity produced from renewable sources into the system by shifting the electricity consumption to moments of the day with higher renewable electricity generation.~~ As the peak shaving product aims to reduce and shift the electricity consumption, the scope of this product should be limited to demand ~~side~~ response. **As the peak shaving product is intended to ~~only~~ be applied only in limited situations of electricity price crisis, its ~~The~~ procurement ~~of the peak shaving product should~~ may take place up to one week ahead ~~on a short notice so as to avoid booking~~ of releasing additional demand**	electricity system at specific hours of the day, ***in particular during periods of crisis.*** The peak shaving product should contribute to maximize the integration of electricity produced from renewable sources into the system by shifting the electricity consumption to moments of the day with higher renewable electricity generation. As the peak shaving product aims to reduce and shift the electricity consumption, the scope of this product should be limited to demand side response. The procurement of the peak shaving product should take place in such a way that it does not overlap with the activation of balancing products which aim at maintaining the frequency of the electricity system stable. In order to verify volumes of activated demand reduction, the transmission system operator should use a baseline reflecting the expected	However, we need to emphasize the need of acknowledging the role of **distribution system operators when it comes to procuring peak shaving products during a price crisis.** As visible through the concrete example below, DSOs have already been involved in peak shaving procurement in the past. The focus on TSOs in this regard risks excluding peak shaving products from DSOs and thus endangers the security of energy supply and customers.

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		response capacities. ~~that could otherwise participate in wholesale electricity markets in normal conditions. Its activation should be limited in time to limit distortive effects on the electricity market. The procurement of the peak shaving product should in particular avoid any impact on the day ahead price, and its activation should in such a way that it does not overlap with the activation of balancing products which aim at maintaining the frequency of the electricity system stable.~~ **Transmission system operators should be able to activate the peak shaving product based on the forecast of the demand. Alternatively, it should be possible for the peak shaving product** ~~could~~ **to be activated automatically within the day-ahead market, based on the energy price committed during the procurement of the demand reduction capacity.** In order to verify volumes of activated demand reduction, the transmission system operator	electricity consumption without the activation of the peak shaving product.	

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		should use a baseline reflecting the expected electricity consumption without the activation of the peak shaving product.		
Supporting example of E.DSO justification – Enedis To ensure security of supply in the winter of 2022/2023, the French authorities have asked Enedis to temporarily suspend the automatic heating of electric water heaters in private homes during the lunch time periods. To be more precise, Enedis used its smart meters "Linky" to turn off the automatic heating of water during the day. Consequently, the water heaters were turned on only during the night to save on the consumption of electricity. Despite this intervention, consumers had constant access to hot water. If necessary, the boiler could be turned on manually. This measure, implemented by Enedis, led to a reduction in electricity consumption during peak hours: After one month in force, 2.4 GW could be saved.				
***Recital (17)* - Regulation (EU) 2019/943 – Dedicated Measurement Device**				
2	In order to be able to actively participate in the electricity markets and to provide their flexibility, consumers are progressively equipped with smart metering systems. However, in a number of Member States the roll-out of smart metering systems is still slow. *In those instances where smart metering systems are not yet installed and in instances where smart metering systems* do not provide for the sufficient level of data	In order to be able to actively participate in the electricity markets and to provide their flexibility, consumers are progressively equipped with smart metering systems. However, in a number of Member States the roll-out of smart metering systems is still slow. In those instances where smart metering systems are not yet	In order to be able to actively participate in the electricity markets and to provide their flexibility, consumers are progressively equipped with smart metering systems, ***where observability and the settlement of flexibility services are better metered. Smart meters that are deployed by distribution***	E.DSO welcomes the distinction between main metering and measurement devices as introduced by the Council. However, to ensure a clear distinction the implementation of such devices and to

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	granularity, transmission and distribution system operators should be able to use data from dedicated *metering* devices for the observability and settlement of flexibility services such as demand response and energy storage. Enabling the use of data from dedicated *metering* devices for observability and settlement should facilitate the active participation of the consumers in the market and the development of their demand response. The use of data from these dedicated *metering* devices should be accompanied by quality requirements relating to the data.	installed and in instances where smart metering systems do not provide for the sufficient level of data granularity transmission and distribution system operators should be able to use data from dedicated **measurement** devices for the observability and settlement of flexibility services such as demand response and energy storage. Enabling the use of data from dedicated **measurement** devices for observability and settlement should facilitate the active participation of the consumers in the market and the development of their demand response. The use of data from these dedicated **measurement** devices should be accompanied by quality requirements relating to the data.	***system operators provide accurate billing information based on actual and certified electricity consumption while preserving data privacy.*** However, in a number of Member States the roll-out of smart metering systems is still slow. ***Independently of the current stage of smart meters roll out, connecting*** transmission and distribution system operators should additionally be able to ***access*** and use data from dedicated ~~metering~~ ***measurement*** devices for the observability and settlement of flexibility services such as demand response and energy storage. Enabling the use of data from dedicated ~~metering~~ ***measurement*** devices for observability and settlement should facilitate the active participation of the consumers in the market and the development of their demand response. The use of data from these dedicated ~~metering~~	avoid the implementation of a variety of sub-standard instruments which may not be readable by System Operators, we **strongly advices to further clarify, that measurement devices should only be allowed for observability purposes or the settlement of the demand response and flexibility services and by all means not for billing purposes, which should only be done through the main meter.** The usage of dedicated measurement devices must serve **overall system efficiency**, which is

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			measurement devices should be accompanied by quality requirements relating to the data ***and meet the compatibility requirements of the EU Measuring Instruments Directive 2014/32 as well as the Network Code on Demand Response [available in 2024].***	why flexibility must materialise at the main meter. To ensure that all metering devices meet the same requirements and standards (same technical, metrological, and legal requirements) as the main meter provided by the DSO, we further propose to include a direct link to existing legislation tackling this same issue, such namely the **upcoming network code for demand response & the Measuring Instruments Directive 2014/ 32.**

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Example supporting E.DSO justification: Enedis To ensure security of supply in the winter of 2022/2023, the French authorities have asked Enedis to temporarily suspend the automatic heating of electric water heaters in private homes during the lunch time periods. To be more precise, Enedis used its smart meters "Linky" to turn off the automatic heating of water during the day. Consequently, the water heaters were turned on only during the night to save on the consumption of electricity. Despite this intervention, consumers had constant access to hot water. If necessary, the boiler could be turned on manually.				
Recital 46– Dedicated Measurement Device (Regulation (EU) 2019/943)				
3	Consumers should be able to choose the supplier which offers them the price and service which best suits their needs. Advances in metering and submetering technology combined with information and communication technology mean that it is now technically possible to have multiple suppliers for a single premises. If they so wish, customers should be able to use these possibilities to choose a separate supplier notably for electricity to power appliances such as heat pumps or electric vehicles which have a particularly high consumption or which also have the capability to shift their electricity consumption automatically in response to price signals. Moreover, with fast-responding dedicated *metering* devices which are attached to or embedded in appliances with flexible,	Consumers should be able to choose the supplier which offers them the price and service which best suits their needs. Advances in metering and submetering technology combined with information and communication technology mean that it is now technically possible to have multiple suppliers for a single premises. If they so wish, customers should be able to use these possibilities to choose a separate supplier notably for electricity to power appliances such as heat pumps or electric vehicles which have a particularly high consumption or which also have the capability to shift their electricity consumption	Consumers should be able to choose the supplier which offers them the price and service which best suits their needs. Advances in metering and submetering technology combined with information and communication technology mean that it is now technically possible to have multiple suppliers for a single premises. If they so wish, customers should be able to use these possibilities to choose a separate supplier notably for electricity to power appliances such as heat pumps or electric vehicles which have a particularly high consumption or which also	In line with comments made above, E.DSO supports the use of several metering devices for different connection and billing points, **that are covered by the single connection point in their premisses, which is installed, operated, and managed by the System Operator.** Dedicated measurement devices should only

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	controllable loads, final customers can participate in other incentive-based demand response schemes that provide flexibility services on the electricity market and to transmission and distribution system operators. Overall, such arrangements should contribute to the increased uptake of demand response and to consumer empowerment allowing them to have more control over their energy use and bills, while providing to the electricity system additional flexibility in order to cope with demand and supply fluctuations.	automatically in response to price signals. **For this purpose, customers should be allowed to have more than one metering and billing point covered by the single connection point for their premises. The rules for the allocation of the associated costs should be determined at national level. Some smart metering systems may directly cover more than one metering point and therefore enable customers to have more than one electricity supply contract at the same time. Suppliers should have balancing responsibility only for metering and billing points to which they supply.** Moreover, ~~with~~ **through the facilitation of** ~~fast-responding dedicated~~ **measurement** ~~devices~~ **solutions,** which are attached to or embedded in appliances with flexible, controllable loads, final customers can participate in other incentive-based demand response schemes that provide flexibility services on the electricity market	have the capability to shift their electricity consumption automatically in response to price signals. ***For this purpose, customers should be allowed to have more than one metering and billing point covered by the single connection point for their premises. The rules for the allocation of the associated costs should be determined at national level. Some smart metering systems may directly cover more than one metering point and therefore enable customers to have more than one electricity supply contract at the same time.*** Moreover, with fast-responding dedicated ***measurement*** devices which are attached to or embedded in appliances with flexible, controllable loads, final customers can participate in other incentive-based demand response schemes that provide flexibility services on the electricity market and to	**serve as additional means of observability or the settlement of the demand response and flexibility services.** We reiterate that only metering devices, installed and managed by system operators, should be **qualified for billing purposes.**

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		and to transmission and distribution system operators. Overall, such arrangements should contribute to the increased uptake of demand response and to consumer empowerment allowing them to have more control over their energy use and bills, while providing to the electricity system additional flexibility in order to cope with demand and supply fluctuations.	transmission and distribution system operators. Overall, such arrangements should contribute to the increased uptake of demand response and to consumer empowerment allowing them to have more control over their energy use and bills, while providing to the electricity system additional flexibility in order to cope with demand and supply fluctuations.	
***Article 2* – Definitions (Regulation (EU) 2019/943)**				
4	"(8) 'active customer' means a final customer, or a group of jointly acting final customers, who consumes or stores electricity generated within its premises located within confined boundaries or self-generated or shared electricity within other premises located within the same ~~*bidding zone*~~, or who sells self-generated electricity or participates in flexibility or energy efficiency schemes, provided that those activities do not constitute its primary commercial or professional activity.”;	*[No Amendment Provided]*	"(8) 'active customer' means a final customer, or a group of jointly acting final customers, who consumes or stores electricity generated within its premises located within confined boundaries or self-generated or shared electricity within ***geographically confined boundaries to be identified by Member States*** ~~*other premises located within the same bidding zone, other premises located within the same single DSO area*~~, or who	E.DSO's strongly advices member states to focus for energy sharing on small and non-commercial market actors in a relatively close area. While for some member states the limitation to a single DSO area would make sense, for others this could

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			sells self-generated electricity or participates in flexibility or energy efficiency schemes, provided that those activities do not constitute its primary commercial or professional activity.”;	create an undue burden on larger DSO. In line with the newly added paragraph (7) under Article 15a of Directive 2019/944, it must therefore be up to the member states to decide on the most appropriate limitation.
5	(73) ‘peak shaving’ means the ability of market participants to reduce electricity consumption at peak hours ***determined*** by the transmission system operator;	(73) ‘peak shaving’ means the ability of market participants to reduce electricity consumption at peak hours **at the request of** ~~**determined**~~ by the transmission system operator;	(73) ‘peak shaving’ means the ability of market participants to reduce electricity consumption at peak hours determined by the transmission ***or distribution*** system operator;	In line with comments on Recital (16) E.DSO strongly advices to **acknowledge the role of distribution system operators when it comes to peak shaving.**

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6	(74) 'peak shaving product' means a market-based product through which market participants can provide peak shaving to the transmission system operators;	*[No Amendment Provided]*	(74) 'peak shaving product' means a market-based product through which market participants can provide peak shaving to the transmission system ***or distribution*** operators;	In line with comments on Recital (16) Article 2(73), E.DSO strongly advices to **acknowledge distribution system operators and their role when it comes to peak shaving.**
7	(79) 'dedicated *metering* device' means a device *attached* to or embedded in an asset that *sells* demand response or flexibility services on the electricity market or to transmission and distribution system operators;	(79) 'dedicated **measurement** ~~**metering**~~ device' means a device **linked** ~~**attached**~~ to or embedded in an asset that **provides** ~~**sells**~~ demand response or flexibility services on the electricity market or to transmission and distribution system operators;		As previously mentioned with regard to Recital (17), we welcome the **distinction between main metering and measurement devices.** To ensure a clear distinction in the implementation of such devices and to avoid a variety of sub-standard instruments which may not be readable

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				by System Operators, we strongly advice to further clarify, that measurement devices should only be allowed for observability purposes or the settlement of the demand response and flexibility services and by all means not for billing purposes, which should only be done through the main meter. The usage of dedicated measurement devices must serve **overall system efficiency**, which is why flexibility must materialise at the main meter.

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		***Article 7a* - Peak Shaving Product (Regulation (EU) 2019/943)**		
8	[1] Without prejudice to Article 40(5) and *40(6) of the Electricity Directive, transmission system operators* may procure peak shaving products in order to achieve a reduction of electricity demand *during* peak hours.	[1] **Where a regional or Union-wide electricity price crisis is declared in accordance with Article 66a of Directive (EU) 2019/944, and w**ithout prejudice to Article 40(5) and ~~40~~(6) of **that** ~~the electricity~~ Directive**, Member States, may authorise system operators** ~~transmission system operators may~~ **to** procure peak shaving products in order to achieve a reduction of electricity demand **in*~~during~~*** peak hours. **Such procurement shall be limited to the duration set out in the decision adopted pursuant to Article 66a(1~~2~~)of Directive 5EU) 2019/944.**		**E.DSO welcomes and support the acknowledgment all system operators** and their role when it comes to peak shaving, **as well as the limitation of peak shaving procurement to situations where a regional or Union-wide electricity price crisis is declared in accordance with Article 66a** of the

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9	[2] *Transmission system operators* seeking to procure a peak shaving product shall submit a proposal setting out the dimensioning and conditions for the procurement of the peak shaving product to the regulatory authority of the Member State concerned. The proposal of the transmission system operator shall comply with the following requirements: (…)	[2] ~~Transmission~~ ~~s~~System operators seeking to procure a peak shaving product shall submit a proposal setting out the dimensioning and conditions for the procurement **and activation** of the peak shaving product to the regulatory authority of the Member State concerned. The proposal of the transmission system operator shall comply with the following requirements:	[2] Transmission system operators, ***in collaboration with distribution system operators***, seeking to procure a peak shaving product shall submit a proposal setting out the dimensioning and conditions for the procurement of the peak shaving product to the regulatory authority of the Member State concerned the proposal of the transmission system operator shall comply with the following requirements:	[revised EMD Directive]. To be consistent, DSOs should also be mentioned under **Article 2 point (73) and (74)** as well as **in Recital (17)**.

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10	[4] Regulatory authorities shall approve the proposal of the transmission system operators seeking to procure a peak shaving product and the baseline methodology submitted in accordance with paragraphs 2 and 3 or shall request the transmission system operators to amend the proposal where it does not meet the requirements set out in these paragraphs.	*[No Amendment Provided]*	[4] Regulatory authorities shall approve the proposal of the transmission system operators seeking to procure a peak shaving product and the baseline methodology submitted in accordance with paragraphs 2 and 3 or shall request the transmission system operators to amend the proposal where it does not meet the requirements set out in these paragraphs. ***The Agency for the Cooperation of energy Regulators (ACER) may issue an opinion on the proposal of the Member State concerned and may request to amend the proposal if a risk of distortions in the integrated electricity market is identified.***	E.DSO calls for the further allowance to ACER to give an opinion and request amendments towards the National TSO/NRA proposal.

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***Article 7b* - Dedicated measurement device (Regulation (EU) 2019/943)**				
11	[1] *Member States shall allow t*ransmission system operators and distribution system operators to use data from dedicated *metering* devices for the observability *and* settlement of demand response and flexibility services, including from *storage systems*.	[1] **Upon the consent of the final customer,** transmission system operators and distribution system operators **may ~~to~~** use data from dedicated **measurement** devices for the observability**,** settlement and flexibility services **and energy sharing**, including from **demand response and energy** storage systems **in accordance with the applicable Union data protection and privacy rules**.	[1] Member States shall allow ***connecting*** transmission system operators and distribution system operators to use data from dedicated **~~metering~~** ***measurement*** devices for the observability ~~and~~ ***or the*** settlement of demand response and flexibility services, including from storage systems.	**In line with former comments, E.DSO supports the additional differentiation between measurement and main metering devices** as introduced by the Council. With regard to the Council's addition on the needed consent of the final customer when TSOs or DSOs are using data from dedicated measurement devices for the stated reasons, **E.DSO calls on an implicit (mandatory) consent,** if DSO is
12		**[new] [2]** **Where a final customer does not have a smart meter installed or where the smart meter of a final customer does not deliver the necessary data to provide demand response or flexibility services, including through an independent aggregator, transmission**		

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		system operators and distribution system operators shall accept the data from a dedicated measurement device, where available, for the settlement of demand response and flexibility services, including storage systems, and shall not discriminate against that final customer in their procurement of flexibility services. This obligation shall apply upon the establishment and subject to compliance with the rules and requirements established by the Member States pursuant to paragraph 3., market participants, including independent aggregators, may use data from their own dedicated measurement devices for the billing and settlement of demand response and flexibility services, upon the establishment of and subject to compliance with requirements established by Member States in line with paragraph 2.		tasked with the obligation of collecting the data, or if the customer uses the resource being measured to take part in any flexibility service provided to the DSO. As pointed out in the comments to Article 7b, E.DSO **emphasizes the need for the inclusion of a reference to Directive (EU) 2014/32 [Metering Instruments Directive] and the new Network Code on Demand Response [available 2024] under paragraph 3 of this Article of the revised proposal of**

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13	[2] Member States shall establish requirements for a dedicated *metering* device data validation process to check and ensure the quality of the respective data.	~~[2]~~ **[3]** Member States shall establish requirements for a dedicated **measurement** device data validation process to check and ensure the quality of the respective data.	[2] ***Pursuant to Directive (EU) 2014/32 [Metering Instruments Directive] and the new Network Code for Demand Response [available from 2024]*** Member States shall establish requirements for a dedicated ~~***metering***~~ ***measurement*** device data ***collection and*** validation processes to check and ensure the ***interoperability and*** quality of the respective data, ***including guiding principles for the certification of data and methods to ensure consistency of measurement activities.***	**the Council,** as it ensures measuring and main metering devices to follow essential principles guaranteeing system efficiency, data accuracy and the secure use of customer data. **Above that, we emphasize E. DSOs opposition to the additions marked in red. Measurement devices should only be used for the settlement of flexibility services, however, not be used for billing purposes.**

Example 1 supporting E.DSO justification:

DSOs face situations where a customer has one connection with two parallel meters on their household. It is nowadays very easy to connect all electrical gear of the household behind both meters and have a spot-price driven switch selecting which meter to use. Two contracts with suppliers: one fixed price contract and one spot price based (hourly dynamic price) contract.

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Every time spot price is lower than the fixed price contracts the switch connects the meter with spot price contract and vice versa. This leads to a massive volume risk for the supplier offering the fixed price contract and a higher margin for fixed price contracts. **Example 2 supporting E.DSO justification:** Let assume that a customer has a heat pump with a dedicated metering device verifying the demand response he/she is participating in. The heat pump produces heat with a COP of 4,5. The customer gets an offer to be compensated for reducing consumption and switch off the heat pump. Supposing it is its cold, this is compensated by thermostats switching on regular electric heaters with COP 1,0. Based on the dedicated metering device the customer participating in demand response while, the customer is increasing his/her electricity consumption. Only the main meter for the connection can verify this, but these meters measure (with high reliability) only kilowatts on an hourly basis and it is questionable if the measurement fulfils demands of aggregators buying demand response. In our view there might be a need to verify if an appliance has been on or off (dedicated metering device) , combined with information what the actual change in consumption has been (*DSO meter at connection point*)				
***Article 18* - Charges for access to networks, use of networks and reinforcement (Regulation (EU) 2019/943)**				
14	[2] Tariff methodologies shall reflect the fixed costs of transmission system operators and distribution system operators and shall consider both capital and operational expenditure to provide appropriate incentives to transmission system operators and distribution system operators over both the short and long run, including anticipatory investments, in order to increase efficiencies, including energy efficiency, to foster market integration and security	[2] Tariff methodologies shall reflect the fixed costs of transmission system operators and distribution system operators and shall consider both capital and operational expenditure to provide appropriate incentives to transmission system operators and distribution system operators over both the short and long run, including anticipatory investments, in order to increase	[2] Tariff methodologies shall ***be based on recognized techno-economic principles and*** reflect the fixed costs of transmission system operators and distribution system operators and shall consider both capital and operational expenditure to provide appropriate **and reliable conditions and** incentives to transmission	E.DSO welcomes the **Council's proposal for timely investments and** the supplementary weight placed on measures to foster **renewable energy capacity,** the **enabling of flexible connection arrangements,**

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	of supply, to support the use of flexibility services, efficient investments including solutions to optimise the existing grid and facilitate demand response and related research activities, and to facilitate innovation in the interest of consumers in areas such as digitalisation, flexibility services and interconnection"; [redacted]	efficiencies, to foster market integration**, the integration of renewable energy** and security of supply, to support the use of flexibility services, efficient **and timely** investments including solutions to optimise the existing grid and facilitate **non-fossil flexibility, including** demand response and **energy storage,** related research activities, and to facilitate innovation in the interest of consumers in areas such as digitalisation, flexibility services and interconnection. [redacted]	system operators and distribution system operators over ~~***both***~~ the ***short, medium and*** long run, including anticipatory investments, in order to ***incentivise investing in both the additional physical as well as digital network elements needed while at the same time increasing overall system efficiency*** ~~***ies,***~~ ***as required*** ~~**including energy efficiency,**~~ to foster market integration and security of supply, to support the use of flexibility services, ***to support the further increase of the ability to connect renewable capacity to the grid,*** **to support** efficient investments **and network infrastructure reinforcement to facilitate the energy transition** including innovative solutions to optimise the existing grid and facilitate demand response **and flexibility services**, to support related research activities, and to [redacted]	**energy storage and the required infrastructure reinforcement** needs. E.DSO strongly believes, that in the long run the most sustainable solutions for a successful energy transition are investments and grid reinforcements, complemented by the use of available flexibility provided by new plants connected to the grid. To avoid a narrow focus on the short-term marginal impact of investments on network tariffs and widen the focus of NRAs to consider the medium and longer-

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			facilitate innovation in the interest of consumers in areas such as digitalisation, flexibility **and demand response** services and interconnection. ***National grid tariffs should be designed to provide the right incentives by combining timely recognition of necessary grid investments, including grid infrastructure reinforcement, and adequate returns from the share of flexibility services in operating costs, and taking into account the necessary grid expansion and reinforcement which should take place in parallel with the expansion of renewables.***	term benefits of achieving decarbonization, in terms of overall cost of electricity, energy independence, sustainability and more, **E.DSO calls for the explicit mentioning of the medium-term benefits in this paragraph when it comes to assessing grid investment.**
15	[8] Transmission and distribution tariff methodologies shall provide incentives to transmission and distribution system operators for the most cost-efficient operation and development of their networks including through the procurement of services. For that	[8] Transmission and distribution tariff methodologies shall provide incentives to transmission and distribution system operators for the most cost-efficient operation and development of their networks including through the	[8] Transmission and distribution tariff methodologies shall provide incentives to transmission and distribution system operators for the most cost-efficient operation and development of	

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	purpose, regulatory authorities shall recognise relevant costs as eligible, shall include those costs in transmission and distribution tariffs, and shall introduce performance targets in order to provide incentives to transmission and distribution system operators to increase efficiencies in their networks, including through energy efficiency, the use of flexibility services and the development of smart grids and intelligent metering systems.	procurement of services. For that purpose, regulatory authorities shall recognise relevant costs as eligible, shall include those costs in transmission and distribution tariffs, and shall **where appropriate,** introduce performance targets in order to provide incentives to transmission and distribution system operators to increase efficiencies in their networks, including through energy efficiency, the use of flexibility services and the development of smart grids and intelligent metering systems.	their networks including through the procurement of services. For that purpose, regulatory authorities shall recognise relevant costs as eligible, shall include those costs in transmission and distribution tariffs, and shall introduce performance targets, in order to provide ***positive*** incentives to transmission and distribution system operators ***to ensure the necessary investments in a short, medium and long term*** to increase efficiencies in their networks, including through energy efficiency, ***network infrastructure reinforcements***, the use of flexibility services and the development of smart grids and intelligent metering systems."	
***Article 19c* - Assessment of flexibility needs (Regulation (EU) 2019/943)**				
16	Assessment of flexibility needs	*[No Amendment Provided]*	Assessment of ***demand side response and storage*** needs	E.DSO argues that flexibility issues concern many

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17	[1] By *1 January 2025* and every two years thereafter, the regulatory authority of each Member State shall assess and draw up a report on the need for flexibility in the electricity system for a period of at least ***5*** years, in view of the need to cost effectively achieve security of supply and decarbonise the power system, taking into account the integration of different sectors. The report shall be based on the data and analyses provided by the transmission and distribution system operators of that Member State pursuant to paragraph ***2*** and using the methodology pursuant to paragraph ***3***.	[1] ~~By 1 January 2025~~ **No later than one year after the approval by ACER of the methodology pursuant to paragraph 6 of this Article,** and every two years thereafter, the regulatory authority ~~**of each Member State**~~ **or another authority or entity designated by a Member State,** ~~**shall assess and draw up**~~ **adopt** a report on the need for **system** flexibility ~~**in the electricity system**~~ for a period of at least ***5*** years, in view of the need to cost effectively achieve security of supply and decarbonise the ~~**power**~~ **electricity** system, taking into account the integration of different sectors, **and the interconnected nature of the electricity market. The report may take into account the European Resource Adequacy Assessment and national adequacy assessments pursuant to Article 20 of this**	[1] ~~*By 1 January 2025*~~ ***No later than one year after the approval by ACER of the methodology pursuant to paragraph 6 of this Article,*** and every two years thereafter, the regulatory authority ***of each Member State*** shall assess and draw up a report on the need for flexibility in the electricity system for a period of at least ***5*** years, in view of the need to cost effectively achieve security of supply and decarbonise the power system, taking into account the integration of different sectors. ***(…)***	possible mechanisms and depend mostly on national experiences and specific circumstances (including specific level of smart grid development). Therefore, the **flexibility needs should only be assessed towards demand side response and storage needs. Narrowing the scope to DSR and storage will increase the unified approach of assessment of needs at EU level, as flexibility mechanisms may vary significantly from member state to member state** (especially when

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		Regulation 2019/943. The report shall be based on the data and analyses provided by the transmission and distribution system operators of that Member State pursuant to paragraph ~~***23***~~ and using the methodology pursuant to paragraph ~~***34***~~**, and, when duly justified, additional data and analysis. Where the Member State has designated a transmission system operator for this purpose, the regulatory authority shall approve or amend the report.**		taking into consideration flexibility as defined in Article 2). Flexibility is developing at a very different pace throughout the different member states. **DSR and storage, however, are the basic common element when it comes to flexibility.**
18	[2] The report shall include an evaluation of the need for flexibility to integrate electricity generated from renewable sources in the electricity system and consider, in particular, the potential of non-fossil *flexibility* such as demand side response and storage to fulfil this need, both at transmission and distribution levels. The report shall distinguish between seasonal, daily and hourly flexibility needs.	[2] The shall **at least:** (a) ~~**include an**~~ evaluat~~**eion of**~~ the need for flexibility, **at least on a seasonal, daily and hourly basis,** to integrate electricity generated from renewable sources in the electricity system**;** **(b)** ~~**and**~~ consider~~**, in particular,**~~ the potential	[2] The report shall include an evaluation of the need for ~~flexibility~~ ~~***demand side response and storage***~~ to integrate electricity generated from renewable sources in the electricity system and consider~~***, in particular, the potential of non-fossil flexibility such as demand side response and storage to fulfil this need,***~~ both at transmission and distribution	Above that, Art. 19(d) does only refer to DSR and storage, which is why we consider it useful to further align the proposal in this respect. As it is considered **unrealistic to expect first national**

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		of non-fossil flexibility **resources** such as demand ~~**side**~~ response and **energy** storage, **including aggregation and, interconnection,** to fulfil this need, both at transmission and distribution levels**;** **(c) evaluate the barriers for flexibility in the market and propose relevant mitigation measures** ~~**The report shall distinguish between seasonal, daily hourly and hourly flexibility needs,**~~ **and** **(d) take into account flexibility that is expected to be available in other Member States**	levels. The report shall distinguish between seasonal, daily and hourly ~~flexibility~~ ***demand side response and storage*** needs.	**assessment reports of flexibility needs by January 2025,** the Council's amendment to the **deadline to provide the flexibility assessments is welcomed by E.DSO**. In line with this argument, we further propose that the date in Art. 19c(6) should be adjusted from « by 1 March 2024 » **to « 12-months after a day of entering into force of this regulation ».** Finally, E.DSO opposes the conferral of the responsibility for adopting a report on the need for system flexibility to any other entity than the NRA, **since it is the**
19	[3] The transmission and distribution system operators of each Member State shall provide the data and analyses needed for the preparation of the report referred to in paragraph 1 to the	[3] The transmission and distribution system operators of each Member State shall provide the data and analyses needed for the preparation of the report	[3] The transmission and distribution system operators of each Member State shall provide the data and analyses needed for the preparation of	

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	regulatory authority or, where relevant, the authority	referred to in paragraph 1 to the regulatory authority or, where relevant, the authority **or entity designated in paragraph 1. If duly justified, the regulatory authority or, where relevant, the authority or entity designated in paragraph 1 may ask the transmission system operators and distribution system operators to provide additional input to the report, beyond the requirements referred to in paragraph 4.**	the report referred to in paragraph 1 to the regulatory authority or, where relevant, the authority ~~***or entity designated in paragraph 1.***~~ **If duly justified, the regulatory authority** ~~***or, where relevant, the authority or entity designated in paragraph 1***~~ **may ask the transmission system operators and distribution system operators to provide additional input to the report, beyond the requirements referred to in paragraph 4.**	**most suitable authority with the most appropriate technical knowledge, and the most neutral judgement.** Accordingly, we suggest aligned changes in [3] of the Article.
20	[4](b) develop a methodology for the analysis by transmission and distribution system operators of the flexibility needs, taking into account at least all existing sources of flexibility and planned investments at interconnection, transmission and distribution level as well as the need to decarbonise the electricity system.	[4](b) develop a methodology for the analysis by transmission and distribution system operators of the flexibility needs, taking into account at least all **available**~~**existing**~~ sources ~~**of flexibility**~~ and planned investments **in** ~~**at**~~ interconnection **and flexibility at**, transmission and distribution level as well as	[4] (b) develop a methodology for the analysis by transmission and distribution system operators of the ~~***flexibility***~~ ***demand side response and storage*** needs, taking into account at least all existing sources of ~~***flexibility***~~ ***demand side response and storage*** and planned investments at	

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		the need to decarbonise the electricity system.	interconnection, transmission and distribution level as well as the need to decarbonise the electricity system ***and possible solutions alternative to flexibility like upgrade or development of the power grid as defined in Network Development Plans.***	
	Article 19d (new) **- Indicative national objective for non-fossil flexibility ~~demand side response and storage~~ (Regulation (EU) 2019/943)**			
21	[1] Based on the report of the regulatory authority pursuant to Article 19c(1), each Member State *shall* define an indicative national objective for demand side response and storage. This indicative national objective shall also be reflected in Member States' integrated national energy and climate plans as regards the dimension 'Internal Energy Market' in accordance with Articles 3, 4 and 7 of Regulation (EU) 2018/1999 and in their integrated biennial progress reports in accordance with Article 17 of Regulation (EU) 2018/1999.	[1] ~~**Based on the report of the regulatory authority pursuant to Article 19c(1),**~~ **No later than 6 months after the submission of the report pursuant to Article 19c(1) of this Regulation**, each Member State shall define**, based on this report,** an indicative national objective for **non-fossil flexibility, in particular**, demand ~~**side**~~ response and **energy** storage. This indicative national objective shall also be reflected in Member States integrated national energy and climate plans as regards the dimension 'Internal	[1] Based on the report of the regulatory authority pursuant to Article 19c(1), each Member State ~~shall~~ ***is encouraged*** to define an indicative national objective for demand side response and storage. This indicative national objective ~~shall~~ ***might*** also be reflected in Member States' integrated national energy and climate plans as regards the dimension 'Internal Energy Market' in accordance with Articles 3, 4 and 7 of Regulation (EU) 2018/1999 and in their	With regard to the mandatory targets, E.DSO believes that use of DSR and storage depends mostly on national and regional experiences and specific circumstances. **To this end member states should not be obliged but rather encouraged to define an**

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		Energy Market' in accordance with Articles 3, 4 and 7 of Regulation (EU) 2018/1999 and in their integrated biennial progress reports in accordance with Article 17 of Regulation (EU) 2018/1999. **Member States may define provisional indicative objectives before the first submission of the report pursuant to Article 19c(1) of this Regulation.**	integrated biennial progress reports in accordance with Article 17 of Regulation (EU) 2018/1999.	**indicative national objective.** For the reasons outlined within our comments to Article 19c, we support the **assessment of flexibility needs only towards DSR and storage needs**.
***Article 19f (new)* - Design principles for non-fossil flexibility support schemes (Regulation (EU) 2019/943)**				
22	[1] Flexibility support scheme for non-fossil flexibility such as demand response and storage applied by Member States in accordance with Article 19e(2) and (3) shall:	[1] **Non-fossil ~~F~~f**lexibility support scheme**s** ~~**for non-fossil flexibility such as demand response and storage**~~ applied by Member States in accordance with Article 19e[1~~2] and [3]~~ shall:	[1] Flexibility support scheme for non-fossil flexibility ~~*such as demand response and storage*~~ applied by Member States in accordance with Article 19e(2) and (3) shall:	E.DSO advocates for the existing investments in DSR and storage to be allowed to participate in flexibility support schemes along with new investments if special support is needed in order to further develop these products.
23		(a) not go beyond what is necessary to ~~**address the identified flexibility needs**~~ **achieve the indicative national objective, or where relevant the provisional**		

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		indicative objective, identified in accordance with Article 19d in a cost-effective manner		We strongly ask for the inclusion of locational criteria which will ensure that new investments in generation take place in optimal locations that do not create or worsen congestion in the grid. E.DSO also argues, with respect to the situation of flexibility support schemes under Article 19f, **there is no need to concentrate only on DSR and storage as different flexibility mechanisms might be considered essential for**
24	(b) be limited to new investments in non-fossil flexibility such as demand side response and storage;	(b) be limited to new investments in non-fossil flexibility **resources** such as demand ~~**side**~~ response and **energy** storage	(b) be limited to ~~new~~ investments in non-fossil flexibility ~~***such as demand side response and storage;***~~	
25	(c) *must* not imply starting fossil fuel-based generation located behind the metering point;	(c) ~~**must**~~ not imply starting fossil fuel-based generation located behind the metering point;		
26	(f) provide incentives for the integration in the electricity market in a market-based and market-responsive way, while avoiding unnecessary distortions of electricity markets as well as taking into account possible system integration costs and grid stability;		(f) provide incentives for the integration in the electricity market in a market-based and market-responsive way, while avoiding unnecessary distortions of electricity markets as well as taking into account possible system integration costs and grid stability***, including allowing for locational criteria to***	

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			ensure that new investments in generation take place in optimal locations that do not create or worsen congestion in the grid;	**capacity mechanism. This should not only be applied under (g) but the entire Article.**
27	(g) set out a minimum level of participation in the market in terms of activated energy, which takes into account the technical specificities of storage and demand response**;**	(g) set out a minimum level of participation in the market in terms of activated energy, which takes into account the technical specificities of the asset delivering the **flexibility** ~~**storage and demand response**~~;		
Article 15a - Right to energy sharing (Directive (EU) 2019/944)				
28	[1] All households, small and medium sized enterprises and public bodies have the right to participate in energy sharing as active customers.	[1] All households, small and medium sized enterprises and public bodies **shall** have the right to participate in energy sharing as active customers.		In line with comments to Article 2(8) on active customers, E.DSO strongly advices member states to focus for energy sharing on small and non-commercial market actors in a relatively close area.

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				While for some member states the limitation to a single DSO area, as previously support by E.DSO, does indeed make sense, for other member states this would place an undue burden on larger DSO. Therefore, the **delimitations for energy sharing should be set by member states,** as they are in the best position to decide on the most appropriate local limitation, which possibly is also a single DSO area.

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29	*[1](h)* are informed of the possibility for changes in bidding zones in accordance with Article 14 of Regulation (EU) 2019/943 and of the fact that the right to share energy is restricted to within one and the same bidding zone.	**[4](c)** ~~***[1](h)***~~ are informed of the possibility for changes in bidding zones in accordance with Article 14 of Regulation (EU) 2019/943 and of the fact that the right to share energy is restricted to within one and the same bidding zone.	[1](h) are informed ~~**of the possibility for changes in bidding zones in accordance with Article 14 of Regulation (EU) 2019/943 and**~~ of the fact that the right to share energy is restricted to ~~***within one and the same bidding zone single DSO zone***~~ ***a geographically confined area to be identified by Member States.***	E.DSO argues, that in line with the above comments on Article 2(8), this article must refer to energy sharing restrictions **to geographically confined boundaries to be identified by Member States.** Above that, we suggest the inclusion of a new paragraph indicating a **specific timeline** in which member states have to define the boundaries of energy sharing.
30			[7] ***(NEW) Member States shall identify no later than 6 months after the entry into force of this Directive the definition of geographically confined boundaries as mentioned in Article 15a of this Directive, to allow energy sharing, with a view to minimize redispatch and overall system costs.***	