

# E.DSO amendments to EU Electricity Market Design reform

## May 2023

As representation of the largest European Distribution System Operators (DSOs), E.DSO supports the efforts by the European Commission and the European Parliament to reform the Electricity Market Design to a new, fossil free reality, and thus, protecting customers from unproportioned price spikes effecting their electricity bills and increase competitiveness of European industries by facilitating possibilities to invest in clean tech measures required to achieve the net zero path.

We welcome the report by MEP Nicolás Casares published on May 12, particularly regarding the proposed amendments emphasising the need for **anticipatory investment in grid infrastructure**, the recognition of the **role of DSOs in peak load reduction** and its limitation to a crisis mechanism, the efforts to **further clearly distinguish between the main meter and other measuring devices**, as well as the inclusion of incentives **for energy sharing at the local level**.

To ensure the most effective outcome of the EMD revision, E.DSO members put forward a number of suggestions, as listed below.

\*Proposed changes appearing as deleted or added

\*\*EP Report amendments supported by E.DSO

\*\*\*E.DSO additional suggestions to improve the EP's report

\*\*\*\*EP Report amendments unwelcomed by E.DSO



## **Detailed amendments**

L	Detailed amendments											
N°	Com	mission	Propo	sal	European Parliament	E.DS	O Recom	menda	tions	E.DSO	Justification	
14	(14)	March 20	<b>)23)</b>		( 15 May 2022)	(May	y <b>2023</b> )					
	Recital (16) - Regulation (EU) 2019/943 - Peak shaving											
1					[AMENDMENT 8]							
	То	ensure	the	efficient	To ensure the efficient integration	То	ensure	the	efficient	E.DSO	welcomes	the

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 consumption to moments of the

of electricity generated from variable renewable energy sources and to reduce the need for fossilfuel based electricity generation in times of electricity price crisis it should be possible transmission and distribution **system operators** to design a peak shaving product enabling demand response to contribute 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 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 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, collaboration distribution system operator. 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, in particular during periods of crisis. The peak shaving product should contribute to maximize the integration of electricity produced renewable from sources into the system by shifting the electricity

E.DSO welcomes the acknowledgment of distribution system operators' role when it comes to procuring peak shaving products, as outlined in the Parliament's Amendment 8.

Further, we support the Parliaments incentive to **make peak-shaving mechanism a price crisis mechanism only**.

Peak-shaving mechanism and the flexibility support schemes for new storage and demand response should be integrated via an enhanced participation of demand response and storage in all short-term energy markets or ancillary services and in capacity mechanisms, and not via the establishment of separate and non-harmonized mechanisms discriminating



#### **Commission Proposal European Parliament E.DSO Recommendations E.DSO Justification** (14 March 2023) (15 May 2022) (May 2023) day with higher renewable limited to demand response. The consumption to moments of the among technologies providing electricity generation. As the procurement of the peak shaving day with higher renewable flexibility and firmness or peak shaving product aims to electricity generation. As the peak product should take place in such a between existing and new way that it does not overlap with shaving product aims to reduce reduce and shift the electricity assets. consumption, the scope of this the activation of balancing products and shift the electricity The crucial role of DSOs in the product should be limited to which aims at maintaining the consumption, the scope of this procurement and demand *side* response. The frequency of the electricity system product should be limited to implementation of peak procurement of the peak shaving stable. In order to verify volumes of demand side response. The shaving products during price product should take place in activated demand reduction, the procurement of the peak shaving crisis is outlined with a product should take place in such such a way that it does not transmission system operator concrete example here overlap with the activation of should use a baseline reflecting the a way that it does not overlap below. balancing products which aim at expected electricity consumption with the activation of balancing maintaining the frequency of the without the activation of the peak products which aim electricity system stable. In shaving product. However, the maintaining the frequency of the electricity system stable. In order order to verify volumes of Commission, together with ACER activated demand reduction, the and ENTSO-E, should also assess to verify volumes of activated transmission system operator the impacts on the functioning of demand reduction. the should use a baseline reflecting the electricity market of the transmission system operator introduction of peak shaving should use a baseline reflecting expected electricity the products by the transmission consumption without the expected electricity activation of the peak shaving distribution without and system consumption the operators outside electricity product. activation of the peak shaving price crisis situations. These product. products should help to reduce the electricity demand and price during peak hours, while ensuring these products do not

to distort the functioning of the day ahead, intraday, and balancing markets and do not



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification
		cause a redirection of demand response services towards peak shaving products.		

### 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 where instances smart

### [AMENDMENT 9]

In order to be able to actively participate in the electricity markets and to provide their flexibility, consumers progressively equipped with smart metering systems. However, in a number of Member States the rollout of smart metering systems is still slow and therefore they do not provide for the sufficient level of data granularity. Member States should speed up the rollout of smart metering systems. 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 settlement flexibility of services are better metered. **Smart** meters that deployed bv distribution **system** operators provide accurate billing information

E.DSO welcomes the Parliaments ambition to further push for the urgently needed advancement of smart meter roll outs all over Europe, as already required by the Clean Energy Package.

We strongly advocate for a clear distinction between smart metering and dedicated measuring devices must be provided, to avoid the implementation of a variety of



## N° Commission Proposal (14 March 2023)

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 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.

## European Parliament (15 May 2022)

However, consumers should have the right to use/request a dedicated measurement device. independently from being already equipped with a smart metering system. In addition to the use of data from smart metering systems, transmission and distribution system operators should be able to use data from dedicated **measurement** devices the observability 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 participation active 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.

# E.DSO Recommendations (May 2023)

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 measurement devices should be accompanied by quality requirements relating to the data and meet the compatibility

## **E.DSO Justification**

sub-standard instruments which may not be readable by System Operators.

E.DSO therefore supports the introduction of a differentiation between the main metering and dedicated measurement devices.

E.DSO, strongly advices colegislators 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.

To ensure that all metering devices meet the same requirements and standards (same technical, metrological,



No	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
14	(14 March 2023)	( 15 May 2022)	(May 2023)	
			requirements of the EU	and legal requirements) as the
			<b>Measuring Instruments</b>	main meter provided by the
			Directive as well as the	DSO, we further propose to
			<b>Network Code on Demand</b>	include a direct link to existing
			Response [available in 2024].	legislation on this same issue.

### **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 22 a (new) - Grid Investments (Regulation (EU) 2019/943)						
3	The energy transition requires a rapid acceleration in the deployment of renewables, onshore and offshore, and electrified demand promoting sector coupling. Such a prompt ramp-up of installations, together with the inherent complexities of managing an electricity system with variable and distributed resources, is posing substantial challenges to the grids. In general, the transmission grid will incorporate large amounts of onshore and offshore renewable	acknowledgment by the Parliament to incentives Member States to provide anticipatory investments, especially with respect to the role distribution system operators in enabling the integration of most distributed energy resources.  We appreciate the emphasis on the anticipatory investments considering that more support to enable proactive					



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
IN	(14 March 2023)	( 15 May 2022)	(May 2023)	
		capacities and transmit the		investments are urgently
		electricity to demand areas,		needed,
		further interconnect Member		
		States and enable flows from		
		distributed renewables to other		
		demand areas. The distribution		
		grid will incorporate most new		
		onshore renewable capacities		
		and electrified and smart		
		household demand. National		
		regulatory authorities will play a		
		central role in ensuring that		
		enough investment goes into the		
		necessary grid development,		
		expansion and reinforcement.		
		Regulatory authorities should		
		promote the utilisation of		
		anticipatory investments,		
		encouraging the acceleration of		
		grid development to meet the		
		accelerated deployment of		
		renewable generation and smart		
		electrified demand such as		
		electric vehicles and heat pumps.		
		This may be the case in		
		particular for designated		
		renewables acceleration areas		
		where anticipatory investments		
		will be instrumental in ensuring		



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification
		that grids become enablers and not bottlenecks.		

## Recital 46- Dedicated Measurement Device (Regulation (EU) 2019/943)

4

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 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 which vehicles have particularly high consumption or which also have the capability shift their electricity consumption automatically in response to price signals. Moreover, with fast-responding dedicated **metering** devices

### [AMENDMENT 34]

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. For this purpose. customers should be allowed to have more than one metering

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. For this purpose, customers should be allowed to have more than one In line with comments made above, notably the proposed Amendment 9, 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 serve as additional means of observability the or 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.



P.TO	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
N°	(14 March 2023)	(15 May 2022)	(May 2023)	2.250 Justinion
	which are attached to or	and billing point covered by the	metering and billing point	
	embedded in appliances with	single connection point for their	covered by the single	
	flexible, controllable loads, final	premises. The rules for the	connection point for their	
	customers can participate in	allocation of the associated costs	premises. The rules for the	
	other incentive-based demand	should be determined at	allocation of the associated	
	response schemes that provide	national level. Some smart	costs should be determined at	
	flexibility services on the	metering systems may directly	national level. Some smart	
	electricity market and to	cover more than one metering	metering systems may directly	
	transmission and distribution	point and therefore enable	cover more than one metering	
	system operators. Overall, such	customers to have more than one	point and therefore enable	
	arrangements should contribute		customers to have more than	
	to the increased uptake of	same time. Moreover, with fast-	one electricity supply contract	
	demand response and to	responding dedicated	at the same time. Moreover,	
	consumer empowerment	<b>measurement</b> devices which are	with fast-responding dedicated	
	allowing them to have more	attached to or embedded in	measurement devices which are	
	control over their energy use	appliances with flexible,	attached to or embedded in	
	and bills, while providing to the	controllable loads, final customers	appliances with flexible,	
	electricity system additional	can participate in other incentive-	controllable loads, final	
	flexibility in order to cope with	based demand response schemes	customers can participate in	
	demand and supply fluctuations.	that provide flexibility services on	other incentive-based demand	
		the electricity market and to	response schemes that provide	
		transmission and distribution	flexibility services on the	
		system operators. Overall, such	electricity market and to	
		arrangements should contribute to	transmission and distribution	
		the increased uptake of demand	system operators. Overall, such	
		response and to consumer	arrangements should contribute	
		empowerment allowing them to	to the increased uptake of	
		have more control over their	demand response and to	
		energy use and bills, while	consumer empowerment	
		providing to the electricity system	allowing them to have more	



N°	Commission Proposal	European Parliament	E.DSO Recommendations	E.DSO Justification
	(14 March 2023)	(15 May 2022)  additional flexibility in order to cope with demand and supply fluctuations.	(May 2023)  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 (Regula	ation (EU) 2019/943)	
5	"(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.";	<del>-</del>	"(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-single DSO area, 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.";	E.DSO's welcomes the EP's Amendment 150, proposing to focus for energy sharing on small and non-commercial market actors in a relatively close area (DSO area).  In line with suggestions made to Article 15a, the definition of 'active customer' should refer to 'single DSO area' as geographical boundary for energy sharing, as it gives incentives to match local generation with local consumption.
6		[AMENDMENT 44]		
		(73) 'peak shaving' means the ability of market participants to reduce electricity consumption		In line with comments made to Amendment 8 by the EP, <b>E.DSO</b> welcomes and support the



N°	Commission Proposal	European Parliament	E.DSO Recommendations	E.DSO Justification
7	(14 March 2023)	from the grid or reduce electricity prices at peak hours determined by the transmission or distribution system operator;  [AMENDMENT 45]  (74) 'peak shaving product' means a market-based product through which market participants can provide peak shaving to the transmission system or distribution operators;	(May 2023)	acknowledgment of distribution system operators and their role when it comes to peak shaving.  In line with comments made to EP's Amendment 8 and 44, E.DSO welcomes and support the acknowledgment of distribution system operators and their role when it comes to peak shaving.
		Article 7a - Peak Shaving Product (	Regulation (EU) 2019/943)	peak snaving.
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.	40(5) and 40(6) of Directive (EU) 2019/944, transmission and distribution system operators		E.DSO welcomes and support the acknowledgment of distribution system operators and their role when it comes to peak shaving, as well as the limitation of peak shaving products procurement to situations where a regional or Unionwide electricity price crisis is declared in accordance with



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification
		regional or Union-wide electricity price crisis is declared in accordance with Article 66a of the [revised EMD Directive].		Article 66a of the [revised EMD Directive].
9		[AMENDMENT 59]		
	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	system operators seeking to procure a peak shaving product shall submit a proposal setting out the dimensioning and conditions for the procurement and	operators, in collaboration with	distribution system operators and their role when



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification		
10	(14 Mai Cii 2023)	[AMENDMENT 65]	(May 2023)			
	[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.		[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 supports amendment 65 and the intention to approve the DSO role when it comes to peak shaving, as well as the further step allowing ACER to give an opinion and request amendments towards the National TSO/NRA proposal.		
	Article 7b - Dedicated measurement device (Regulation (EU) 2019/943)					
11		[AMENDMENT 68]				
	[1] Member States shall allow transmission system operators	[1] Member States shall allow customers and market	[1] Member States shall allow connecting transmission system	E.DSO supports the additional differentiation		



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
11	(14 March 2023)	( 15 May 2022)	(May 2023)	
	and distribution system operators to use data from dedicated <i>metering</i> devices for the observability <i>and</i> settlement of demand response and flexibility services, including from <i>storage systems</i> .	participants, with explicit consent, on the owners' and users' behalf, transmission system operators and distribution system operators to have access and 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.	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.	between measurement and metering devices as introduced throughout the parliaments report.  Regarding the Amendment of Rapporteur on the necessity of explicit consent is written which it is not possible when legitimate interests are in question, in accordance with the applicable Union data protection and privacy rules  As pointed out in the comments
		[AMENDMENT 69]		to the EP's Amendment 9,
12	[2] Member States shall establish requirements for a dedicated <i>metering</i> device data validation process to check and ensure the quality of the respective data.	[2] Member States shall establish uniform fit-for-purpose requirements for a dedicated measurement device data validation process to check and ensure the quality and interoperability of the respective data, in compliance with the provisions included in article 23 of Directive (EU) 2019/944 and the procedures set out in the network code adopted pursuant	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	E.DSO supports the inclusion of a reference to Directive (EU) 2014/32 [Metering Instruments Directive] and the new Network Code on Demand Response [available 2024], as it ensures measuring and metering devices to follow essential principles guaranteeing system efficiency, data accuracy and the secure use of customer data.
		to Article 59(1)(e) of Regulation (EU) 2019/943 and taking into account the relevant Union	the respective data, including guiding principles for the certification of data and	In this vein, we support the amendment made by the EP and would suggest, to



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification
		legislation on measurement instruments.	methods to ensure consistency of measurement activities.	additionally include a mentioning of the Directive EU 2014/32 on Metering Instruments, as well as the mentioning of both, the directive and the network code, in the definition of Dedicated Measurement Devices.

### **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.

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)				
-	13		[AMENDMENT 86]		



#### **European Parliament Commission Proposal** (14 March 2023) (15 May 2022) [2] Tariff methodologies shall [2] Tariff methodologies shall reflect the fixed costs of reflect the fixed costs of transmission system operators transmission system operators and distribution system operators and and distribution svstem shall consider both capital and operators and shall consider operational expenditure to provide both capital and operational expenditure appropriate incentives to provide transmission system operators and appropriate incentives to distribution system operators over transmission system operators both the short and long run, distribution and system operators over both the short including anticipatory investments. apply the "energy efficiency first" and long run. including principle pursuant to Article 3 of anticipatory investments, in [Revised EED Directive], in order order to increase efficiencies, including energy efficiency, to to increase efficiencies, to foster market integration, renewable foster market integration and energy production capacity, and security of supply, to support the use of flexibility services, security of supply, to support the use of flexibility services, enable efficient investments including solutions to optimise the the use of flexible connection existing grid and facilitate arrangements, efficient and demand response and related timely investments including research activities, solutions to optimise the existing and facilitate innovation in the grid and facilitate energy storage. interest of consumers in areas demand response and related such as digitalisation, flexibility research activities, to reduce

## E.DSO Recommendations (May 2023)

[2] Tariff methodologies shall be based on recognized technoeconomic principles and reflect the fixed costs of transmission system operators distribution system operators and shall consider both capital and operational expenditure to provide appropriate and reliable conditions and incentives to transmission system operators distribution and 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 efficienc**y** ies, as required including energy efficiency, de 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

## **E.DSO Justification**

E.DSO welcomes the **EP's** proposal to for timely investments and the priority of energy efficient first' **principle.** as well as the supplementary weight the EP has placed on measures to foster **renewable** energy capacity, the enabling of flexible connection arrangements. 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

services and interconnection";

impact,

promote social acceptance, and

to facilitate innovation in the

to

environmental



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
14	(14 March 2023)	( 15 May 2022)	(May 2023)	
		interest of consumers in areas such	efficient investments and	longer-term benefits of
		as digitalisation, flexibility services	network infrastructure	achieving decarbonization, in
		and interconnection, including the	reinforcement to facilitate the	terms of overall cost of
		required infrastructure to reach	energy transition including	electricity, energy
		the minimum 15% electricity	innovative solutions to optimise	independence, sustainability
		interconnection targets set out	the existing grid and facilitate	and more, E.DSO calls for the
		in point (1) of Article 4(d) of	demand response and flexibility	explicit mentioning of the
		<b>Regulation (EU) 2018/1999.</b>	<b>services</b> , to support related	medium-term benefits in this
			research activities, and to	paragraph when it comes to
			facilitate innovation in the	assessing grid investment.
			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.	
14		[AMENDMENT 87)		



<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
(14 March 2023)	( 15 May 2022)	(May 2023)	
[8] Transmission and	[8] Transmission and distribution	[8] Transmission and distribution	
distribution tariff	tariff methodologies shall provide	tariff methodologies shall provide	
	incentives to transmission and	incentives to transmission and	
		•	
1		•	
	*	<u> </u>	
1 1		o o	
		-	
	0	C	
•	*		
1 9 '		,	
	· · · · · · · · · · · · · · · · · · ·	1 0 1	
1		*	
•			
1	•	•	
I			
1			
l -	<u> </u>	•	
		-	
metering systems.		•	
	1	Ö	
		3,3001113.	If grid capacity is scarce and
	[Interest of		local flexibility markets are not
	[8a] (new)		yet available, flexible grid
	(14 March 2023) [8] Transmission and	[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 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	[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 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 for the most cost-efficient operation and development of 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 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.  [AMENDMENT 88]



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
IN	(14 March 2023)	( 15 May 2022)	(May 2023)	
		(a) Distribution system operators shall offer the possibility of a flexible connection agreement. Such flexible connection agreements shall specify the following:		connection agreements can be a valuable alternative to facilitate grid connection of solar PV projects. In such cases, it is critical to ensure economic incentives for managing the risk for the solar PV generator or the solar prosumer to
		i) the maximum firm import and export of electricity to the grid as well as the		provide flexibility via their PV export and for the DSO.
		additional flexible import and export capacity that can be		
		connected, differentiated by time blocks throughout the year,		
		ii) the network charges applicable to both the firm and flexible import and export		
		capacities, iii) the probabilities of curtailment if the maximum firm capacity is exceeded. The system user requesting a flexible		



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification
		grid connection shall be requested to install a power control system as certified by a national standards body.		
	Artic	le 19c - Assessment of flexibility ne	eds (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 possible mechanisms and depend mostly on national experiences
17		[AMENDMENT 109]		and specific circumstances (including specific level of smart grid development).
	[1] By <b>1 January 2025</b> 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 <b>5</b> 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	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 10 years, in view of the need to cost effectively achieve security of supply and decarbonise the power system, contributing to the stability and reliability of the system and the efficient	[1] Within 12 months from the publication of the adopted proposal by ACER as per paragraph 6, 6-months after the approval by ACER of the methodology, developed by the EU DSO Entity and ENTSO-E as referred to under Article 19c (3)(6), and every two years thereafter, Member State shall assess the needs (and may ask NRAs) and draw up a report on the need for flexibility demand side response and storage in	Therefore, the flexibility needs shall 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 MS to MS (especially when taking into



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
IN	(14 March 2023)	( 15 May 2022)	(May 2023)	
	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.	taking into account the integration of the renewable energy sources and the different sectors. The report shall be based on the data and analyses provided by the transmission and distribution system operators of that Member State, following a public consultation including energy suppliers and aggregators, pursuant to paragraph 3 and using the methodology pursuant to paragraph 4 and shall include an assessment of the progress towards the 15% electricity interconnection target set out in Regulation (EU) 2018/1999.	the electricity system for a period of at least 10 years, in view of contributing to the stability and reliability of the system and the efficient management and development of electricity networks, and taking into account the integration of RES and 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.	consideration flexibility as defined in Article 2(8).  Flexibility is developing at a very different pace throughout the different MS. DSF and storage, however, are the basic common element when it comes to flexibility. Above that, Art. 19(d) does only refer to DSF 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 assessment reports of flexibility needs by January
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	[AMENDMENT 111]  [2] The reports referred to in paragraphs 1 and 1a shall include an assessment of the need for flexibility to integrate electricity generated from renewable sources in the electricity system and consider, in particular, the restaution of near	[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-	2025, it is proposed to include a minimum period of 6 months, after the approval by ACER of the methodology, developed by the EU DSO Entity and ENTSO-E as referred to under Article 19c (3)(6). In line with this argument, we further propose that the date in Art. 19c(6) should be adjusted from « by 1 March 2024 » to « 6-
	and storage to fulfil this need,	particular, the potential of non-	fossil flexibility such as demand	months after a day of



N°	Commission Proposal	European Parliament	E.DSO Recommendations	E.DSO Justification
	both at transmission and distribution levels. The report shall distinguish between seasonal, daily and hourly flexibility needs.	fossil flexibility such as demand response and energy storage, the self-consumption production capacity and renewable dispatchable production capacity to fulfil this need, both at transmission and distribution levels. The reports shall distinguish between seasonal, daily hourly and hourly flexibility needs, and between zonal flexibility needs, ensure all ancillary services are considered, consider congestion within a bidding zone, renewable energy curtailment levels. The reports shall include a high fossil fuel prices scenario and consider the benefits to the Union energy and climate objectives.	side response and storage to fulfil this need, both at transmission and distribution levels. The report shall distinguish between seasonal, daily and hourly flexibility demand side response and storage needs.	entering into force of this regulation ».  We argue that the assessment requires the gathering of complex data and many interim approvals from different European and national institutions and organizations to determine e.g., the type of data and format, as well as developing a methodology for the analysis of the flexibility needs by system operators. In parallel, it needs also to take into consideration a methodology to prepare Network Development Plans with acknowledgment of flexibility potential.
19		[AMENDMENT 115]		
	[4](b) develop a methodology for the analysis by transmission and distribution system	[4](b) develop a methodology for the analysis by transmission and distribution system operators of	[4] (b) develop a methodology for the analysis by transmission and distribution system operators of	



N°	Commission Proposal	European Parliament	E.DSO Recommendations	E.DSO Justification
N	(14 March 2023)	( 15 May 2022)	(May 2023)	, and an
	operators of the flexibility needs,	the flexibility needs, taking into	the <del>flexibility</del> demand side	
	taking into account at least all	account at least all existing sources	response and storage needs,	
	existing sources of flexibility and	of flexibility and planned	taking into account at least all	
	planned investments at	,	existing sources of <del>flexibility</del>	
	interconnection, transmission	transmission and distribution level,	demand side response and	
	and distribution level as well as		storage and planned investments	
	the need to decarbonise the		at interconnection, transmission	
	electricity system.	interconnected Member States as well as the level of renewable	and distribution level as well as the need to decarbonise the	
		energy sources in the electricity		
		mix needed to achieve the target	electricity system and possible solutions alternative to	
		referred to in Article 3(1) of		
		Directive (EU) 2018/2001 and		
		the need to decarbonise the	as defined in Network	
		electricity system in coherence	Development Plans.	
		with the Paris Agreement and	•	
		the objective of climate		
		neutrality by 2050 at the latest .		
	Article 19d (new) - Indicati	ve national objective for demand	d side response and storage (Ro	egulation (EU) 2019/943)
		[AMENDMENT 121]		
	Indicative national objective for		Indicative national objective for	E.DSO strongly opposes the
	demand side response and	1	demand side response and	EP's intention to introduce
	storage	storage	storage	obligatory, national
				objectives for DSF and
				storage. We strongly believe
				that this has to be decided
				individually by MS and should not be an obligation,
				should not be all obligation,



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
14	(14 March 2023)	( 15 May 2022)	(May 2023)	
				<b>but rather an encouragement</b> <b>as these</b> will be based on data from DSOs/ TSOs and potentially cover future system operators' actions (in relation to DSR and storage).
				Some MS have already introduced individual flexibility targets in their NECPs which would clash with an obligation in the framework of this revision. The proposal should align with existing obligations and targets already set out by EU legislation.
20		[AMENDMENTS 122]		
	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	Based on the report of the regulatory authority pursuant to Article 19c(1), each Member State shall define separate quantifiable national objectives for demand response and energy storage based on available capacity and develop a plan for delivering these objectives. These national objectives shall take into account ACER's opinion and recommendations referred to in	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	E.DSO strongly believe that use of demand side response 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 indicative national objective.



N°	Commission Proposal	European Parliament	E.DSO Recommendations	E.DSO Justification
	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.	quantification of actual available	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.	The timeline added by the EP amendment 122 is unrealistic and should at least be aligned with E.DSO's suggestion to include a 6-months period instead (see comments on Amendment 109)
21		[AMENDMENTS 123]		
		[1d] (new)		
		By June 2025, after assessing the national objectives for demand response and energy storage communicated by the Member States through their integrated national energy and climate		



N°	<b>Commission Proposal</b>	European Parliament	E.DSO Recommendations	E.DSO Justification
14	(14 March 2023)	(15 May 2022)	(May 2023)	
		plans and in the light of ACER's		
		opinion and recommendations		
		referred to in Article 19c(7), the		
		Commission shall present a		
		report to the European		
		Parliament and the Council		
		assessing the national plans. In		
		the light of the conclusions of this		
		report, the Commission shall		
		draw up a European strategy on		
		demand response and energy storage consistent with the		
		Union's 2030 targets for energy		
		and climate as defined in point		
		(11) of Article 2 of Regulation		
		(EU) 2018/1999 and the climate-		
		neutrality objective laid down in		
		Article 2 of Regulation (EU)		
		2021/1119 which shall be		
		accompanied, where		
		appropriate, by a legislative		
		proposal amending this		
		Regulation and introducing		
		minimum demand response and		
		energy storage targets at Union		
		level.		
22		[AMENDMENTS 124]		
		[1c] (new)		



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification		
		Transmission and distribution system operators shall develop at least one network development plan based on the national objectives set out in paragraph 1.				
	Article 19f (new) - Design principles for flexibility support schemes (Regulation (EU) 2019/943)					
23		[AMENDMENT 127]				
	[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] Flexibility support scheme for non-fossil flexibility such as demand response and <b>energy</b> storage applied by Member States in accordance with Article 19e 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		
24		[AMENDMENT 128]		develop these products.		
	(b) be limited to new investments in non-fossil flexibility such as demand side response and storage;	(b) be limited to <b>new investments</b> in non-fossil flexibility such as demand side response and storage;	(b) be limited to new investments in non-fossil flexibility such as demand side response and storage;	We welcome the inclusion of locational criteria under EP Amendment 129, which will ensure that new investments in generation take place in		
25		[AMENDMENT 129] (new)		optimal locations that do not		



N°	Commission Proposal	European Parliament	E.DSO Recommendations	E.DSO Justification
IN	(14 March 2023)	(15 May 2022)	(May 2023)	
		(b a) take into consideration locational criteria to ensure that investments in new capacity take place in optimal locations and that they do not create or worsen congestion in the grid;	See below: E.DSO suggestions under to add instead under Art. 19f(f))	create or worsen congestion in the grid.  E.DSO also argues, that the situation of flexibility support
26	(f) provide incentives for the	[read in conjunction with AMENDMENT 129]	(f) provide incentives for the	schemes under Article 19f, there is no need to concentrate only on DSF and storage as different flexibility
	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;		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 ensure that new investments in generation take place in optimal locations that do not create or worsen congestion in the grid;	mechanisms might be considered essential for capacity mechanism. It is different scope of regulation and related actions than in Art. 19c and 19d, where – for the reasons stated above, only DSF and storage is to be mentioned.
27		[AMENDMENT 130]		
	(g) set out a minimum level of participation in the market in terms of activated energy, which	(g) set out a minimum level of participation in the market in terms of activated energy, which takes into	(g) set out a minimum level of participation in the market in terms of activated energy, which	



N°	Commission Proposal (14 March 2023) takes into account the technical	European Parliament ( 15 May 2022) account the technical specificities of	E.DSO Recommendations (May 2023) takes into account the technical	E.DSO Justification	
	specificities of storage and demand response;	energy storage	specificities of storage and demand response flexibility mechanisms;		
	Article 15a - Right to energy sharing (Directive (EU) 2019/944)				
28		[AMENDMENT 150]			
	[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 have the right to participate in renewable energy sharing as active customers within the same electricity distribution area. This right shall not apply to private enterprises or undertakings whose participation constitutes part of their primary or professional activity.		E.DSO welcomes Amendment 150 introduced by the EP report.  As mentioned above in E.DSO Amendment N°3 referring to Art.2(8) and the definition of 'active customers', we believe that the EMD must tackle the opportunity to use energy sharing as a lever to reduce grid congestion or how to manage the potential risk for greater congestion resulting from energy sharing.	
				In line with suggestions made to Art 2(8), the energy sharing must be limited to the 'single DSO area' as geographical boundary for energy sharing, as it gives incentives to match	



N°	Commission Proposal (14 March 2023)	European Parliament ( 15 May 2022)	E.DSO Recommendations (May 2023)	E.DSO Justification
				local generation with local consumption.
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.	[Read in conjunction with AMENDMENT 150]	[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.	the above EP amendment 150, Art 15a[1](h) <b>should also – for</b> <b>reasons of consistency - refer</b>