



RAP

Energy solutions
for a changing world

Flexibility – do the new rules go far enough?

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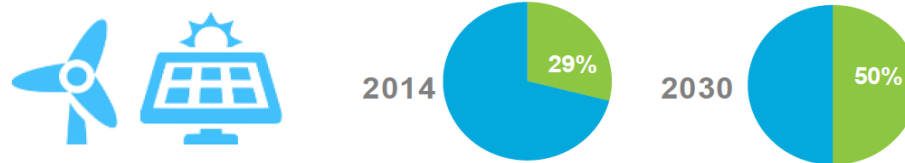
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Why is flexibility an issue?

MORE POWER COMING FROM RENEWABLES



Today up to **90%** of variable renewable electricity is connected to distribution grids

- Rising share of renewable generation is changing the nature of electricity markets
 - More variable less-predictable output, balancing supply and demand more difficult
 - Increased need for fast-response services
 - Demand flexibility as a cost-effective alternative to traditional network development

Winter package and flexibility

- Wholesale market reform to encourage flexibility
 - Develop short-term markets
 - Markets to reflect real value of energy & flexibility
 - Prices capped only at VoLL
 - De minimis trading limits of 1 MW or less
 - Service definitions to reflect demand response characteristics
- Enable active customer participation in markets
 - Linking wholesale and retail markets
 - Right to a smart meter and dynamic retail tariff
 - Right to contract with aggregator without supplier's permission
 - Aggregators not required to compensate suppliers
 - Common and supportive “prosumer” rules

Could more have been done?

- Possibly, but
 - Ensuring that aggregators don't have to compensate suppliers should assist development of “incentivized” DR
 - Danger of compensation is that it removes value available to aggregator/consumer
 - Allowing energy prices only to be capped at VoLL will incentivize all forms of flexibility, DR, storage and interconnection
 - Ambitious, may have to be phased in