

Europex main suggestions for improvements on the first ACER NC DR draft

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Main suggestions for improving the NC DR proposal

1

Firmly **promote market-based flexibility procurement** and ensure compliance with the strict exemptions from market-based flexibility procurement foreseen in the Clean Energy Package (Art. 38)

2

Set **precise requirements for the local market operator role** to ensure a neutral, safe and transparent operation of local flexibility markets (Arts. 16 / 42)

3

Ensure **interoperability** between wholesale markets and local flexibility markets **avoiding any negative impact on existing wholesale electricity markets** (Arts. 41, 42, 43)

- 1. Firmly promote market-based flexibility procurement and ensure compliance with the strict exemptions from market-based flexibility procurement foreseen in the Clean Energy Package (Art. 38)**
 - Market-based flexibility procurement for congestion management is not an end in itself, but it provides as pricing mechanism which is superior to any cost-based or regulated price setting method.
 - In the current draft of the NC DR, we welcome the default solution is market-based.
 - However, further improvements are needed to promote more firmly and clearly market-based flexibility procurement and ensure full compliance with the strict exemptions foreseen in the Clean Energy Package.
 - A derogating decision – which should be applied for a maximum period of 2 years – should be reviewed on an annual basis. Moreover, when a derogation is issued, the respective SO should provide a report including a cost benefit analysis related to the non-market-based procurement mechanism option.

2. Third parties remain the most efficient option to act as a local market operator (Arts. 16 / 42)

- Swift and unbureaucratic LMO selection process is needed to facilitate the development of local flexibility markets and thereby should consist of a transparent, public procedure based on fair and equal competition among alternative providers.
- The entity that acts as LMO needs to ensure neutrality and transparency by being independent from all other procuring parties (e.g., system operators, flexibility service providers, etc.). Moreover, it must be able to offer the expertise and experience for the development of local flexibility markets.
- These are the exact requirements that are needed for flexibility markets to operate smoothly and flourish.
- Therefore, the TSO/DSO choice should not be completely discretionary but rather based on precise conditions for delegation and prerequisites for operating specific tasks.

3. Ensure interoperability between wholesale markets and local flexibility markets avoiding any negative impact on existing wholesale electricity markets (Arts. 41, 42, 43)

- In order to enable interoperability between wholesale markets and local flexibility markets, it is necessary to take into consideration the market design characteristics of each Member State (e.g., locational tagging, solutions for congestion and voltage issues).
- In the draft proposal, it remains unclear for what purpose bids should be forwarded and under which conditions.
- The NC DR should focus on facilitating revenue stacking rather than proposing a solution (bid forwarding) that has not been thoroughly assessed. Giving “consent” is clearly not enough of a condition to be able to “forward bids”.
- The role of the procuring (or connecting) SOs should be clearly distinguished from the role of local market operators.