



**NVE**

Reguleringsmyndigheten  
for energi – RME

# **EUROPEAN FRAMEWORK GUIDELINES**

for Demand Response



**Alexander Kellerer**

Norwegian Energy Regulatory Authority (NVE-RME)

Section for markets and system operation

# Balancing markets and the «Nordic Balancing Model»



What are the **main remaining barriers** for flexibility considering the design of today's balancing markets?

- Minimum bid size at **10 MW**.
- **Lack of automatised solutions** and reliance on manual processes.
- Weak incentives to avoid structural imbalances due to **60 minutes time resolution**.
- Difficulties resulting from the way **“station groups”** (stasjonsgrupper) are defined.
- No selection of energy bids based on price for some balancing products (**“pro-rata solution”**).

## What will change with the «Nordic Balancing Model»?

Within the next 1-2 years, the Nordic balancing markets will undergo significant structural changes. Most of these changes are required by regulation and will remove or reduce barriers for flexibility providers.

- Reduced bid size to **1 MW**.
- Reduced time resolution to **15 minutes**.
- **Full automation** and modernisation of market processes.
- **New national reserve market** for exceptionally fast products («FFR»).
- **Nordic capacity markets** for “availability products”.
- **European balancing trading platforms** for selecting of cheapest bids.
- **Clearer division of roles** between different markets actors (“BSPs”, “BRPs” etc.).



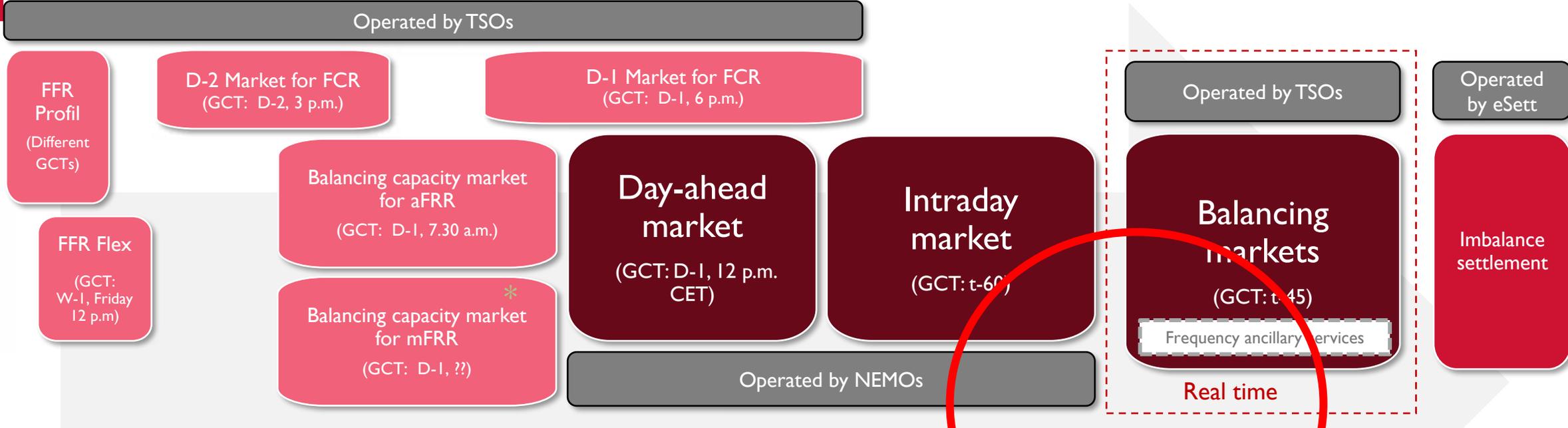
## What **issues remain** unresolved?

- No clear direction on how DSOs can buy flexibility with market-based tools (**“local flexibility markets”**)
- How to ensure that TSOs and DSOs are not competing for the same resources? (**“TSO/DSO coordination”**)
- How can providers offer their flexibility to different markets simultaneously? (**“value stacking”**)
- How to activate end consumers and combine their flexibility? (**“aggregation”**)
- Certain **technical requirements remain in place** that are burdensome for small actors (prequalification etc.).
- There is also a **lack of harmonisation / standardisation** in certain areas.



# Tomorrow's market design?

Transmission level  
(Wholesale)



Distribution level



GCT: Gate Closure Time  
 \* For illustration, not implemented



# European Framework Guidelines for Demand Response



## What is a «framework guideline»?

A framework guideline is **NOT** a formal proposal for new regulatory rules

- The framework guidelines («FGs») can be described as a **manual** as to how new rules for flexibility should be designed and what areas they should regulate.
- From a legal point of view, the framework guidelines are not binding. However, the regulators will use the FGs as a sort of **check list** when assessing a concrete proposal from the system operators.
- The framework guidelines are the first formal step towards a new European regulatory framework for demand response.



# Possible outcomes of the European process

**There are currently three options on the table:**

**Option A:**

A revision  
of the existing  
«Network Codes»

**Option B:**

A new dedicated  
«Network Code»  
for Demand Response

**Option C:**

A new «Network  
Code» + adjustments  
in the existing ones

# Timeline for the European processes

EC\* asks ACER to develop framework guidelines

1 June 2022

ACER is consulting on its draft framework guidelines

2 June – 12 August 2022

Review of consultation responses

September – October 2022

ACER submits final framework guidelines to EC\*

December 2022

EC\* asks ENTSO-E & EU DSO to develop a proposal

January 2023 (\*\*)

ENTSO-E & EU DSO establish a formal drafting committee

January 2023 (\*\*)

ENTSO-E & EU DSO submit proposal for a new regulation

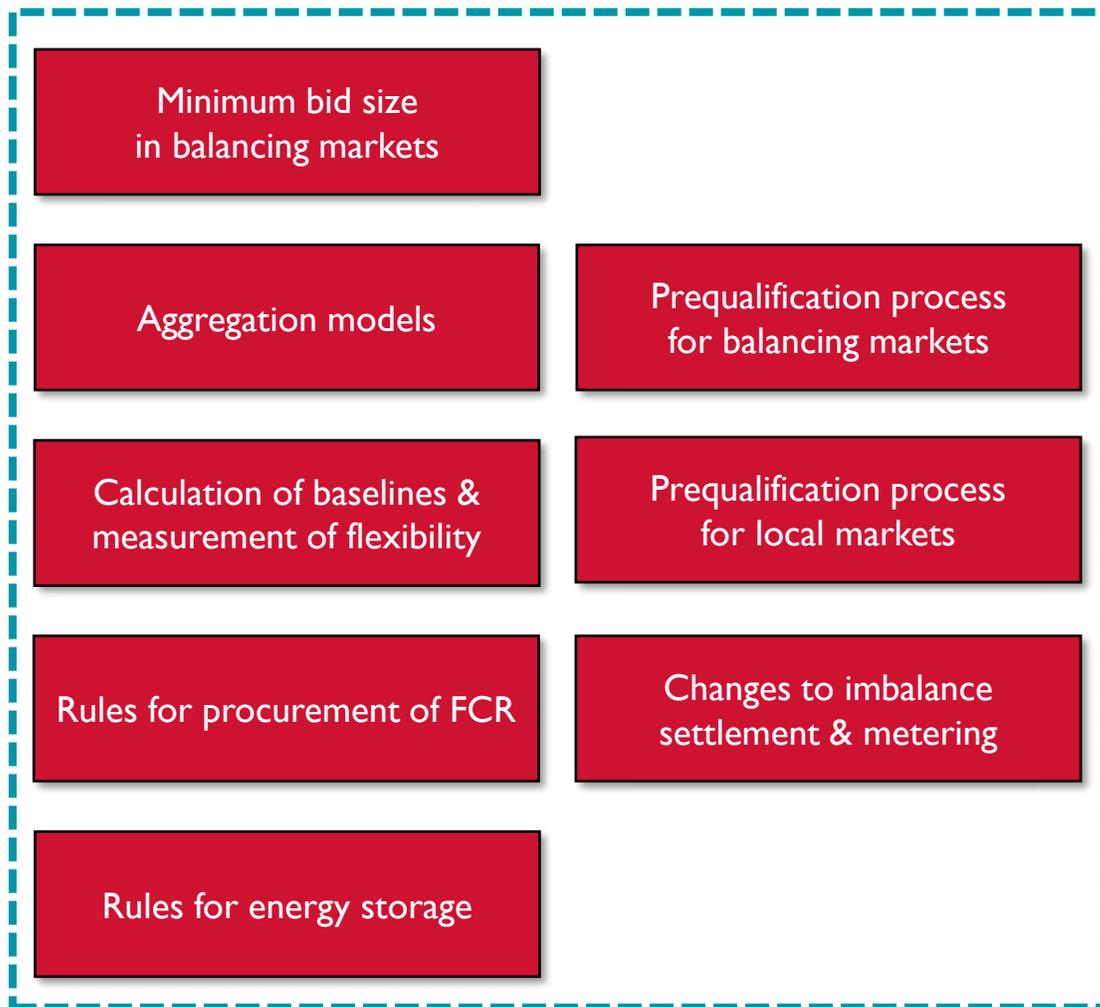
January 2024 (\*\*)

We are here now!

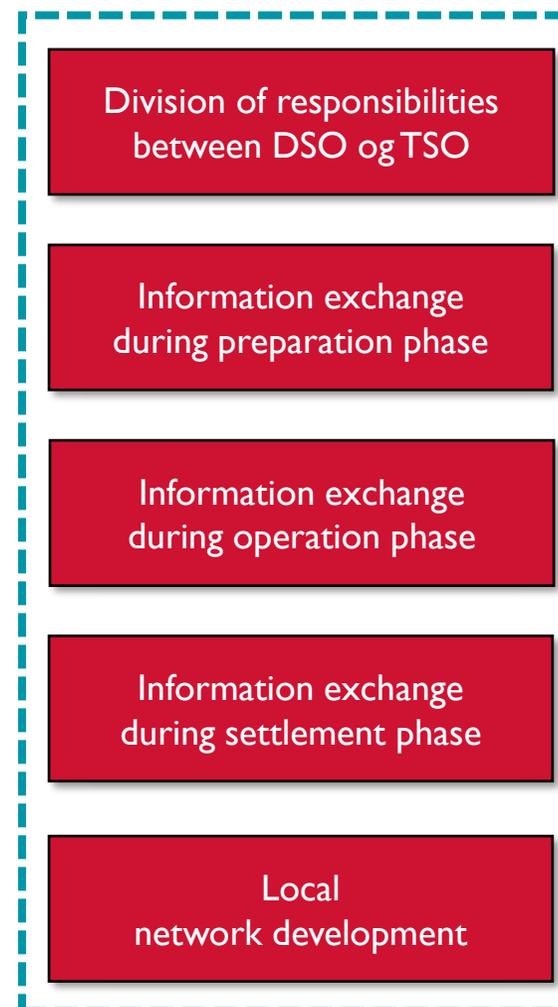
\* European Commission  
\*\* To be confirmed

# Scope of the framework guideline

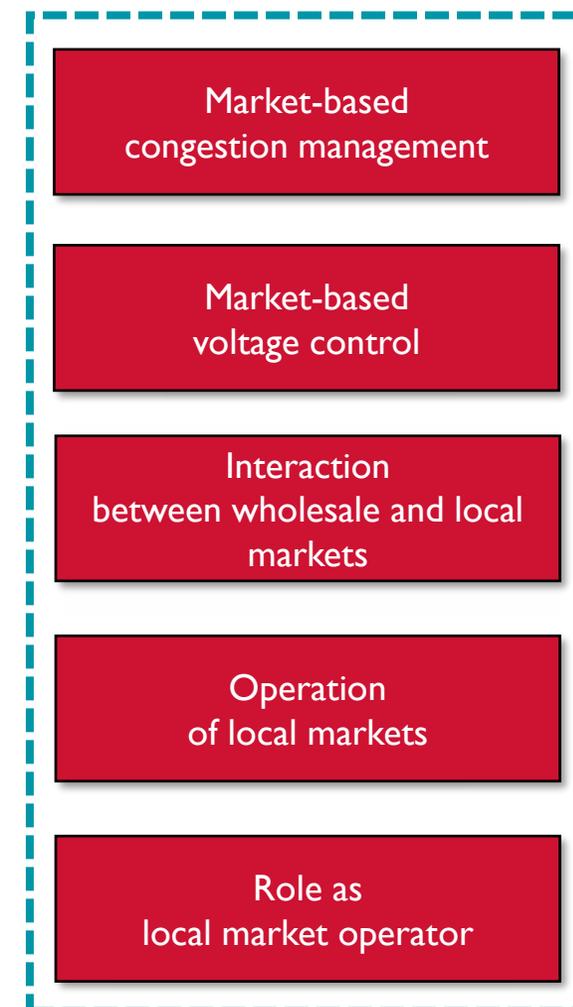
## Market access for smaller flexibility providers



## TSO-DSO coordination



## «Local flexibility markets»





## Topics **EXCLUDED** from the framework guideline

- **Implicit demand response and time-of-use tariffs**
- **Economic incentives for DSOs to buy flexibility**
- **Forward, (Day-ahead and Intraday market)\***

\* Some aspects mentioned in the FGs may also apply to Day-ahead and Intraday markets



## What does it mean for Norwegian stakeholders?

It is unclear how and when the potential new rules will be transposed into Norwegian law. This is part of the EEA procedures and within the responsibility of political institutions.

NVE-RME is nevertheless following this process closely and is actively participating in the discussions to promote Norway's interests.

The new rules may have indirect implications for Norway as it will define how flexibility services should be designed in the other Nordic countries.

It is of utmost importance that Norwegian and Nordic stakeholders are sharing their views and pointing at potential issues as early as possible.

**We therefore urge all stakeholders to actively participate in the development process and to discuss the different topics with their respective national and European interest groups!**

# Thank you for your attention!

