

Contribution to the public consultation by the European Commission on the
Market reform plan in Greece
focusing on
Demand Response participation

This contribution refers to the market reform plan regarding Greece (hereafter "the plan"), presented with a view to develop a capacity mechanism to meet resource adequacy concerns, and opened to public consultation¹ by the European Commission during Summer 2021.

1. The proposed plan outlines effective principles for the participation of Demand Response

The plan includes key objectives regarding DR participation in the Greek market:

- (i) the plan states that DR will be able to participate in all markets, starting with balancing markets, and later including intraday and day ahead wholesale markets.
- (ii) the plan makes it clear that the future capacity mechanism should include DR capacities alongside traditional generation such as gas power plants.

In addition, we acknowledge that on-going practical work is taking place with a view to set the framework in order to allow effective participation of DR, first in balancing markets:

- technical provisions are being discussed (e.g. on baseline methodologies);
- the intention is to solve the correction/compensation issue in the simplest way, appropriate for DR proper development, i.e. using an "uncorrected model" (no correction of the position of the suppliers/BRPs of curtailed consumers and no compensation paid to these, hence no compensation costs charged to DR).

2. Yet, the plan is still far from fully taking into account the role of Demand Response.

2.1. The plan is unclear about the active participation of DR directly in wholesale markets

The plan suggests that DR is already allowed to participate in electricity markets because demand is allowed to bid in the market with price-dependent levels of demand. Even when this will be actually possible, it may involve a few (large) consumers, but not most of them. Besides, this is so-called 'implicit DR', as opposed to explicit participation of DR being sold in the market by consumers and aggregators alongside producers selling electricity, as per article 17.1 of the Electricity directive (2019/944).

It should also be recalled that this article should have been fully implemented by end of 2019, while the plan only considers a step-by-step implementation starting in 2022 for balancing markets, but much later for other segments, including the most important (i.e. day ahead).

This will have dramatic consequences on the availability of DR capacities as needed by Greece, and in particular in the timeframe considered to justify and set up a capacity mechanism.

Indeed, the plan emphasizes the difficulties that traditional gas power plants may face, particularly the uncertainties on peak prices for their production, with consequences on the

¹ https://ec.europa.eu/energy/topics/markets-and-consumers/capacity-mechanisms_en

decisions to invest in such assets. The plan does not seem to consider that DR assets are much more effective, and cheaper, to provide the capacities needed; nor does it take into account that developing DR assets also requires investment - and the key role of aggregators there.

For such investments to be made, the first step is to fully allow participation of DR in the markets, meaning the electricity wholesale market, and most of all day ahead market. Should such participation be allowed quickly, new investments would be made in DR, thus mitigating the adequacy risks in Greece, even before any capacity mechanism would be set out.

Therefore, the plan may need to be adapted in order to implement the said art.17 quickly.

2.2. The plan is much too slow and late regarding DR participation

The timeframe proposed by the plan for DR to be allowed in the markets is unjustifiably slow. Indeed, the technical provisions are now being established for the participation of DR in balancing markets; basically, the same provisions are needed for all markets, so that the same target (Feb.2022) should be set for the participation of DR to balancing and all markets.

Here, it is important to have in mind that balancing markets are small (in MW, MWh-s and revenues) so that participation to these markets is far from sufficient to lead to the capacities, including the DR capacities, that Greece needs. Significant investment decisions can be made only if the actual wholesale markets (particularly day ahead) are open to DR. This should be done in the coming weeks or months, as it would allow for the investment and capacities to be developed from DR, thus providing a significant contribution to capacity needs in Greece.

2.3. Consumers may be barred from participating in DR by third parties

As per the Electricity Directive (art.13 and 17), consumers should be free to participate to DR, including via an aggregator of their choice (be it their supplier or an independent aggregator).

However, in Greece, provisions in the contract between a consumer and his supplier (/BRP) may prohibit any participation of the consumer to DR, to our understanding, without plans set forth to ensure such provisions are removed or considered null and void.

This should be considered as a major obstacle in the market. While suppliers are welcome to become DR aggregators themselves, they should not be allowed to exclude others²: having full competition in the new DR business is the best way to provide best service to consumers, and foster investment in this promising new field, that will be key for Greece these years.

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Contribution provided to the European Commission (ener-market-reforms@ec.europa.eu) by DR4EU, a pan-European coalition of companies developing DR in more than twenty countries in Europe and beyond, including Greece.

Members most involved in this contribution were: Sympower, Energy Pool, Voltalis.

² Giving any competitor (i.e. a supplier) control over others (i.e. any other aggregators) regarding access to part of the market (i.e. to consumers of the said supplier) would infringe not only Electricity directive 2019/944 (art.13 & 17) but also the European Directive on Services still in force (Directive 2006/123/CE - particularly art.14), as well as several decisions from the Court of Justice of the EU, as set forth by the French competition authority (<https://www.autoritedelaconcurrence.fr/sites/default/files/commitments/12a19.pdf>).