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Feedback DSO on Public consultation of van CCMD-design note op 19-12-2022

The DSO share the **same concern and ambition** regarding the energy sector challenges. Energy transition has an important impact on the network and on the market. Since one year the market is on top impacted by the energy crisis with fluctuating energy prices.

A lot of initiatives are already taken and have to be taken in the future to shape the market and to guarantee the customers a reliable and accessible service from the energy suppliers and the SO's in the long run. The main challenge is to choose the right set of actions, based on the most probable scenario's and assumptions. Elia pinpoints the current process of Transfer of Energy as too complex and argues that this process gives not the right signal to the different players. DSOs agree to review the current process and evaluate alternatives (such as Exchange of energy blocks).

The DSO's would like to share their main remarks on the last CCMD-design note.

1. The first remark, concerns **the customer perimeter**:

Elia reflects its experience with TSO-customers on the DSO-customers and -market. The CCMD-design is based on the assumption that customers are advanced and highly involved customers with respect to their energy household. That assumption might apply to TSO customers, but not to the majority of DSO-customers. A DSO-customer is definitely not a TSO customer. This different context requires a different approach keeping in mind the importance of the active customer. Some examples not exhaustive:

- **Need for simplicity:** The CCMD concept is based on the assumption that customers will contract multiple market parties in order to optimize their energy balance and cost. From a customer perspective, the CCMD model offers endless opportunities, but introduces especially a lot of complexity and requires advanced skills from the customer. The energy market is up most complex. The TSO customers and to a certain extend some MV customers are used to adapt their behavior for energy pattern optimization. But the majority of the residential customers may have difficulties to evaluate the risks of the proposed services and its market value across the whole chain. The same concern applies to the real time price concept towards LV customers.
- **Need for Scalability** in technology and operations: The CCMD concept is based on the reflections of Elia on HV-level. Elia has few customers with a huge energy volume, whereas on a DSO level we have millions of customers with small energy volumes. The volume of transactions may be massive and not comparable with the hundreds HV clients. Traceability is a major point of attention.
- **Need for efficiency:** The cost to serve per customer/service must be low. Moreover the benefit to customer (or contribution to the energy system) must exceed the cost to serve. The uncertainty regarding the speed of adoption of these new services in the residential segment will also have to be integrated.
- **Need for inclusiveness:** The development of new services must be designed in a way compatible with prepayment, social tariffs and more generally the needs of the customers facing energy poverty. The added value emerging from these new services should be benefiting to all customers, in particular those who need it the most.
- **Need for Customer protection:** The importance to protect customer interest in terms of metering data quality and their validation by a neutral and trusted party remains a key factor. As well as the protection of confidentiality of the data of the client.

2. The second remark concerns **the market mechanisms**:

The design note gives the impression that exchanging energy data is a new concept, that specific service/functionalities (like energy sharing, repartition keys, ...) are new, whereas these are **the basic principles of the current market design**. Readers of the documents, that are (not) familiar with the DSO-context, might be confused.

The CCMD design note proposes a new model that would replace the current Transfer of Energy (ToE) that is an ex-post process for explicit flexibility product.

- Market parties might adapt their sourcing based on big data and stochastic models, rather than on virtual profiles (vs the real behavior of the customer). Suppliers might also adapt their energy contract in function of the predictability of the profile of their customer and will propose bundled offer mitigating the risk for both parties. In that case, it may indicate that a market correction via TOE for small energy volumes will not be the most adapted approach.
- Similarly, the aggregated versus individual correction has to be properly evaluated via a small scale test case before making final conclusion.
- However if the market, the policy makers and the regulators are in favor of the need to apply ToE, the DSOs will facilitate this process accordingly and in close coordination with the market parties.

Furthermore, we would balance our efforts on development on explicit flexibility for LV and promote also the development of implicit flexibility that both DSO and Suppliers can use. To that extent, we prioritize putting at disposal the necessary data towards consumers and market parties.

3. The third remark concerns **the services**:

The design note elaborates on topics that mainly concerns the DSO-customers and -market, such as flexibility at DSO-level, energy sharing and supplier split.

- All regions have developed or are developing solutions to support these services. These 'new' services are already in place at DSO level and evolve in function of the needs and pace of our customers, in close cooperation with the market parties, including Elia, and within the regulatory framework.
- DSO's are open and receptive for continuous improvements and further evolutions on these services. To illustrate, if an energy community would be created - inter-TSO-DSO (e.g. generation mean connected to TSO, customer at DSO level, ...) we will elaborate on common data exchange between all parties. EoEB could be one of the possible approaches to be considered.

4. The fourth remark concerns **the approach**:

The DSOs believe that we will achieve faster and more customer-oriented results by a step-by-step approach, rather than re-designing the whole market model. The main challenge is to unlock flexibility and to activate the customer in order to support the energy system (balancing and congestion).

- As agreed, we still support the common roadmap Flexibility where we will develop, test and evaluate different concepts, such as EoEB. If these concepts turn out to be the best practice, they will be used in further developments. And so, given the uncertainties on the model and its potential implementation, a position on the tools is not appropriated at this stage.
- In that logic, Elia plans a go-live for the TSO customers in 2023. DSO's are looking forward to that experience and ask Elia and the market parties to share their findings. As agreed previously, the DSOs will evaluate this mechanism as well for MV- and LV-customers, in close collaboration with Elia and the market parties. The pilots test and evaluation are part of the commonly agreed flex roadmap.
- For background, flex products are in place for HV and MV customers. Since the mechanism of ToE has been applied only for mFRR so far, a next step is to implement ToE for aFRR for HV and/or MV customers.

To conclude in the benefit of all the market parties, we advocate for a stepwise approach in opening the market for new services, supported by a broad consensus via public consultation, as is currently performed via Synergrid.

Essential is that we develop products that will be understood and used.

Based on well-designed governance rules between ELIA and the DSOs respecting the roles and responsibilities of each party and in order to avoid confusion in the Market, we would ask Elia to co-design with us the evolution of the Market and to consult the market together with the DSO's under Synergrid coordination.

Therefore, DSO's also expect from Elia to respect and focus on the ambitions put forward in the Flex roadmap which was designed together and that will be presented soon to Forbeg.