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## COMMISSION FOR ELECTRICITY AND GAS REGULATION

### **STUDY**

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on

“the measures that have to be implemented to facilitate  
the access to the demand side response in Belgium”

### **INTERMEDIATE REPORT**

made by implementation of article 23, §2, 2°, of the law  
of 29 April 1999 regarding the organization of the  
electricity market

22 January 2016

# EXECUTIVE SUMMARY

1. In a system faced with a strong rise in intermittent generation, more demand side response would help smooth price peaks and contribute to the safe operation of the network as well as the security of supply of the system. In this context, the CREG believes that it is important to encourage participation of demand in the various electricity markets.

2. In order to encourage the development of demand side response in Belgium, the CREG has taken an interactive approach. Firstly, they consulted with the market participants to ask them what obstacles they face. Upon analysing the responses, the CREG identified three obstacles within its area of competence:

- the absence of a market model allowing end customers to opt for third parties that are different from their supplier in order to sell their flexibility (energy transfer);
- the fact that it is difficult, or even impossible for demand side response to access certain products from the transmission system operator;
- the difficulty in accessing electricity markets.

3. In a second phase, in the report, the CREG provides the market participants with possible solutions to remove the obstacles and wishes to collect their responses. With this in mind, the CREG will organise a public consultation and a workshop in early 2016.

Proposed solutions target three areas:

- **a proposal for a market model for the transfer of energy** to facilitate access of demand side response to different markets. This model is based on the principle that every end customer is free to exercise their entitlement to opt for the Flexibility Service Provider (FSP) of their choice, without allowing opposition from the supplier or his BRP. A new market would not have to be created, but all existing markets would have to be opened up, with the right conditions for healthy competition between the various types of flexibility providers. A **legal framework** would have to be drawn up, specifying the roles of the various parties involved in the exchange of demand side response as well as their rights and obligations. The proposed market model is based on the basic principles set out below:

*Principle 1 - Every end customer is entitled to exercise flexibility without opposition from their supplier or his BRP.*

*Principle 2 - Every end customer is entitled to choose their FSP, regardless of their electricity supplier.*

*Principle 3 - The FSP must take responsibility for the balance in the activation of flexibility within the demand it manages.*

*Principle 4 - The FSP may not act to the detriment of other parties. Therefore:*

*4.1. the source BRP's balance perimeter must be corrected;*

*4.2 the source end customer's electricity supplier must be subject to financial compensation.*

*Principle 5 – correction of balance perimeters must be centralised and carried out by a neutral entity with the required competencies.*

*Principle 6 – as regards financial compensation, if it not automatic, (and secondly, the choice of baseline), commercial negotiations should be the preferred option. If the parties fail to come to an agreement, or if an agreement is not an option, a default solution must be applicable in order to ensure that demand side response offers can be taken into account.*

*Principle 7 – from the point of view of market operation, compensation is desirable for any activation blocked by a system operator (NB: for EAN points connected to a distribution network, this falls within the competence of the region).*

*Principle 8 – the end customer is the holder of the measuring and metering data and is free to communicate such data.*

*Principle 9 – confidentiality of commercially sensitive data must be ensured.*

*Principle 10 – a single invoice should be sent to the end customer detailing their electricity consumption.*

The CREG suggests, on one hand, that a **centralised data management model** be put in place linked to the flexibility volumes for the correction of the imbalance of the BRP of the source end customer's supplier as well as the check of the flexibility supplied by the FSP, and on the other hand either the implementation of a **bilateral financial compensation system between the FSP and the supplier** of the source end customer with a **fall back solution** which must be followed by

the parties if they cannot reach an agreement, in order to ensure that demand side response offers can be taken into account, or the correction of the source end customer's consumption meter and the creation of a compensation fund;

- **proposals to adapt some products of the transmission system operator (TSO)** in order to facilitate access of the demand side response, in competition with generation, and to bring them in line with the proposed market model. To that end, the CREG recommends replacing the definition of products on the basis of characteristics of a technology with a definition based on the needs of the TSO, where the only motive for the exclusion of a given technology is that it is patently impossible for it to meet the need. More specifically, this means:
  - o opening up R1 symmetrical 100 mHz and 200 mHz and R1 downwards asymmetrical products to other resources than the units associated with a CIPU contract, and to that extent, opening up those products to demand;
  - o opening up R2 to demand, possibly subsequent to a pilot project;
  - o redesign of the R3 products in order to allow access to the various technologies, as well as the introduction of an activation price in order to allow activation based on a *merit order*.
  - o Opening up R3 free offers to all technologies, which means that the bid ladder platform will have to be put in place by 2017. The transfer of offers between the Belpex CIM market and that platform should be facilitated.

These developments should be integrated into the convergence process towards an integrated balancing market at European level.

- As regards access to the electricity commodity markets, no specific obstacles have been identified, although the development of new products which take better account of specific constraints for certain types of flexibility could be considered on the Belpex DAM. For Belpex CIM, the lack of liquidity is the main obstacle. The development of 15-minute products on both markets would be beneficial, and even more effective if coordinated with neighbouring countries.

4. The CREG wishes to hear from the market players' response to its proposed market model by email at the following address: [consult.demand@creg.be](mailto:consult.demand@creg.be), and will organise a workshop in early 2016.