



E.DSO reaction to Electricity Market Design (EMD) reform

15 April 2024

The electricity market design (EMD) measures, composed of a Regulation and a Directive were adopted on 11 April by the European Parliament with 433 in favour, 140 against and 15 abstentions, and 473 votes to 80, with 27 abstentions, respectively.

E.DSO welcomes the final text. First of all, we recognise that significant investment is crucial for the development of the distribution network in order to enable the whole power sector transition, and the revised market design now provides more of needed regulatory stability in this area.

E.DSO is especially satisfied with the specific improvements to the text, which align with the principal arguments advanced during its advocacy outreach:

1. Anticipatory investments (*recital 23, Article 18 of the Regulation*)

Anticipatory investments offer a strategic advantage for DSOs. By allowing tariff methodologies to include incentives for operating and **expanding networks cost-effectively**, DSOs are motivated to invest in services that enhance efficiency. Regulatory approval of such costs as allowable and their incorporation into distribution tariffs, coupled with the introduction of performance benchmarks, drive DSOs to improve network capabilities. This includes promoting energy efficiency, flexibility services, smart grids, and intelligent metering systems, positioning DSOs at the forefront of innovative energy management and distribution solutions.

2. Flexible Connections Agreements (*recital 15, Article 6 a. and Article 31 of the Directive*)

The provisions for flexible connections agreements significantly benefit DSOs by addressing the challenges of limited grid capacity. These agreements allow for non-firm, flexible connections that can include energy storage or restricted power injection times, enhancing the adaptability of the grid. By requiring DSOs to facilitate such agreements and urging regulatory authorities to develop frameworks that prioritise structural enhancements, these provisions ensure that flexible connections are **sustainable long-term solutions**. Clear communication of capacity availability and curtailment policies further empowers DSOs to manage demand efficiently, ensuring network stability and security while respecting data confidentiality.

3. Dedicated measurement devices (DMDs) (*recital 18, Article 2, Article 7b of the Regulation*)

This measure ensures that customers, primarily those without smart meters or whose smart meters fail to capture necessary data, can participate in demand response and flexibility through alternative dedicated devices. This inclusion of DSOs fosters a more resilient and responsive energy system, as



it upholds high standards of data quality, consistency, and interoperability as mandated by Member States, thereby optimising the integration of distributed energy resources and **enhancing grid reliability**.

1. E.DSO Assessment

1.1. Anticipatory investments

This provision is in line with the [European Action Plan for Grids](#) as it has emphasised the urgent need to accelerate the energy transition by integrating more Renewable Energy Sources (RES) and managing rising power demands on distribution networks.

Anticipatory investments in distribution networks are essential for meeting EU and national goals related to decarbonisation, electrification, and achieving net-zero emissions. Distribution grids, crucial to this transition, have often been neglected, considering that about 70% of the renewables in the EU connected to the distribution network.

These investments are of critical need for timely and strategic network enhancements. DSOs are preparing to support the net-zero targets through the deployment of smart grids, innovative assets, standards, and processes. It is therefore crucial that they are properly incentivised to cover the efficient management of these costs.

Anticipatory investments are essentially **proactive financial commitments** made to ensure the electricity network is ready to meet customer needs when they arise, differentiating them from standard investments which are typically reactionary, addressing immediate requirements. We consider this strategic approach particularly effective in the context of growing widespread electrification towards the targeted decarbonisation of the economy, as it offers a reliable projection of future generation and demand changes.

1.2. Flexible Connection Agreements (FCAs)

Following the enormous demand for electricity connections and new power requirements, the process of enhancing the infrastructure to facilitate new connections can be both expensive and slow in regions with constrained electricity distribution networks. This often deters customers from connecting their assets to the network. Likewise, customers may encounter limitations on the amount and timing of electricity they can import, a practice managed by DSOs and referred to as curtailment. Such practices are crucial for DSOs, as they help maintain network integrity and balance supply with demand.

E.DSO advocated the adoption of flexible connections as a very effective solution because they enable DSOs to connect additional customers, commonly those with generators or storage systems through active, often real-time, management of network loads.

Thanks to smarter grids, communications equipment and centralised control systems can selectively reduce power generation as needed. Flexible connections also facilitate ongoing monitoring of network constraints, allowing for the optimal allocation of available capacity to customers while ensuring the network's capacity limits are not exceeded. Furthermore, FCAs promote efficient



network use and prevents overloading, thereby enhancing overall system reliability and performance.

More importantly, the funds typically allocated for grid reinforcement might be better used in areas where they are most needed. Flexible connections also offer economic benefits to customers through favourable tariff structures that potentially reduce or postpone the costs associated with network upgrades. In essence, these agreements enhance the management of discrepancies between electricity supply and demand, improve the use of power, and contribute to greater grid stability and efficiency.

E.DSO would like to reiterate that while establishing a definition and common principles for flexible connection agreements at the EU level, the implementation of this framework should be handled at the national level.

1.3. Dedicated Measurement Devices

E.DSO is very pleased to notice that the proposal for harmonised requirements aligns with existing legislation such as the [General Data Protection Regulation \(GDPR\)](#) and [Measuring Instruments Directive \(MID\) standards](#), as well as the forthcoming [Network Code for Demand Response](#), to further promote a unified European market.

Additionally, under the current provision Dedicated Measurement Devices are required to be interoperable with the main metering system to guarantee that they can be accurately read by system operators. This interoperability also ensures that measurements are precise, enabling customers to be correctly billed for their actual usage.

The explicit mandate for notifying DSOs when these devices are used, specifically for flexibility and observability and not billing purposes, is crucial. This change is appropriate as these devices are intended to indicate the activation of flexibility services by a specific device, without accounting for other network impacts.

Furthermore, this underscores the need for implementing flexibility at the primary metering point to ensure that savings from one device are not offset by increased consumption in others, thus preserving the intended systemic impact.