

More flex, less copper: Proposal for new Network Code demand-response ushers in the era of Local Flexibility markets in Europe

The European Power Exchange EPEX SPOT welcomes ACER's proposal for a new EU-wide network code on demand response, submitted by the agency on 7 March 2025 to the EU Commission.

The Exchange thanks ACER for the open and transparent drafting process, that proactively included diverse stakeholders and their respective expertise. The document formalises the direct involvement of demand-side flexibility – e-mobility, batteries, heat-pumps, industrial consumption, and many more – in the power market.

EPEX SPOT welcomes ACER's proposals to strengthen market-based flexibility procurement for congestion management and compliments the Agency on its particularly forward-looking approach to limit potential derogations to this new rule to a maximum of two years. Furthermore, the proposed optimised DSO-TSO coordination will bring great added value to the power system.

Philippe Vassilopoulos, Director Product Development at EPEX SPOT, comments: "We are very pleased that such fruitful progress is being made on the topic of demand-side flexibility. We firmly believe that unlocking the flexibility potential that has rapidly developed over the past years, and continues to do so, is the key to a cost-efficient energy transition. The era of Local Flexibility markets in Europe has begun."

Decentral and intermittent electricity generation puts the power system under pressure. By adapting power consumption flexibly to the situation of supply and demand, the consumer-side can greatly contribute to the stability and efficiency of the power system. This potential remains largely untapped in Europe, and the new Network Code will change exactly that. The EU Commission estimates that the expansion and use of flexibility potential could generate savings for grid investment of up to 5 bn Euros per year – on distribution level alone.

Nonetheless, the Exchange sees the following areas of improvement for the new Network Code demand-response. Kora Töpfer, Senior Expert Demand-Response & Flexibility and Head of German Public Affairs, explains: "A formal establishment of multi-market access and market coordination is indispensable to establish performant Local Flexibility markets. ACER's current proposal of bid-forwarding puts the well-functioning of wholesale markets at risk. Furthermore, we see a need for explicit requirements to operators of Local Flexibility markets – not just anyone should be able to operate such markets, but neutral and experienced actors, fulfilling the technical standards to allow Localflex to succeed."

The European Power Exchange operates a Localflex market on behalf of Great Britain's largest Distribution System Operator (DSO) UKPN DSO in England. In less than a year of operation, over 100,000 assets have been connected to the market, supporting UKPN to generate substantial savings (£410m by 2028) on grid development.

ACER's proposal is now being reviewed by the EU Commission to define the appropriate design on how these markets can be set-up. EPEX SPOT encourages the EU Commission and member states to swiftly adopt the new Demand Response Regulation: no time is to be lost in making the electricity system more flexible and unlock savings for consumers.

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Building on its unique expertise as a co-creator of the Internal Energy Market for electricity, EPEX SPOT's services span over 19 countries: From power trading across Central Western Europe, the United Kingdom, Switzerland, the Nordics and Poland to Market Operation services in Ireland, Hungary, Montenegro, North Macedonia, Serbia and Slovenia. In the environmental market, EPEX SPOT's Pan-European GOs auctions cover a scope of 22 countries.

As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT enables a price-responsive power system, to achieve a competitive and climate neutral Europe. 49% of its equity is held by a holding of major European Transmission System Operators.

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