



To the kind attention of **Frans Timmermans**
Executive Vice-President for the European Green Deal
Kadri Simson
Energy Commissioner

Increasing System Efficiency in the 'Fit for 55' Package through the active participation of end-users

Brussels, 10 May 2021

Dear Executive Vice-President Timmermans,
Dear Commissioner Simson,

We have come together as stakeholders supporting the cost-effective decarbonisation of Europe's energy system to encourage the European Commission to put forward an ambitious 'Fit for 55' Package that fosters system efficiency through the empowerment and active participation of all European energy end-users, to unleash their demand-side flexibility from demand response, distributed energy storage, renewable and efficient generation.

Demand-side flexibility is the bridging solution supporting greater electrification and smart sector integration, it helps stabilise an increasingly variable power system and contributes to reaching climate neutrality cost-effectively. Demand-side flexibility from all end-use sectors is a reliable, accessible and competitive resource to meet the new requirements of the decarbonisation challenge. Making these benefits a reality requires the activation of all end-use sectors through the development of an economically attractive business model.

Priority should be given to the implementation of the Electricity Market Design to set national regulatory frameworks enabling the activation of demand-side flexibility. This should be complemented by a dedicated network code, to be drafted in close cooperation with stakeholders, to fill the gaps of existing EU rules.

Additional EU policy measures are also needed to ramp up the activation and integration of distributed flexibility into the power system.

We believe that the 'Fit for 55' Package should provide incentives to realise the value of demand-side flexibility by:

- supporting prosumer business models, energy sharing and other cooperative models evolving,
- incentivising market participants to provide flexibility services and contribute to security of supply,
- ensuring prosumers are rewarded for their voluntary contribution to the system.

The Commission's Energy System Integration Strategy set the correct way forward to increase the EU's 2030 climate target, acknowledging the role of distributed flexibility sources to support a more efficient energy system and the cost-effective integration of renewable energy in all end-use sectors. We urge the Commission to ensure consistency with this Strategy in the upcoming legislative proposals for the revisions of the Renewable Energy, Energy Efficiency, Alternative Fuels Infrastructure and Energy Performance of Buildings Directives, as well as the upcoming Gas Markets Decarbonisation package.

In light of the above and to achieve a consumer-centric, economically and energy efficient system, we ask the Commission to:

- Give the deserved political relevance and visibility to demand-side flexibility, both at European and national level, notably by setting clear milestones for its activation to reduce peak demand.
- Ensure that a comprehensive assessment of the demand-side flexibility potential of all end-use sectors – buildings, industries and transport – is carried out at Member State level and national plans are developed to activate it in order to ensure system adequacy and support a cost-effective decarbonisation. Such assessment should be reported in future updates of the National Energy and Climate Plans.
- Evolve from a static to a dynamic approach to energy efficiency to help the cost-effective uptake of variable renewable energy. A modern understanding of energy efficiency should incorporate flexible, time-dependent, dynamic and data-driven consumption and self-generation patterns. This does imply that savings obtained during peak-demand and savings from avoided CO2 emissions would be valorised, recognising their contribution to system efficiency.
- Ensure all end-use sectors have the right to interact with the power system, including through local peer-to-peer trading, and are fairly rewarded to contribute to increase system efficiency by flexibly adapting their energy consumption, storage operation as well as on-site renewable and efficient generation. In this light, smart charging for electric vehicles and building renovations aiming to activate and smarten buildings should be promoted in the forthcoming revisions of the Alternative Fuels Infrastructure and Energy Performance of Buildings Directives.
- Guide Member States and regulated entities to valorise demand-side flexibility and prioritise non-wires alternatives in their electricity networks development plans, when more cost-effective. This would require developing smart grids, and the establishment of harmonised “smart grids indicators” by National Regulatory Agencies would be beneficial.

We count on you in shaping legislative proposals to apply the Energy Efficiency First Principle at system level through the activation of distributed flexibility resources.

Yours sincerely,

CEPI – Confederation of European Paper Industries
COGEN Europe - European Association for the Promotion of Cogeneration
EASE - European Association for Storage of Energy
ECI – European Copper Institute
ECOS - Environmental Coalition on Standards
EER – European Energy Retailers
EHI - European Heating Industry
EHPA - European Heat Pump Association
EREF – European Renewable Energies Federation
ESMIG - European Smart Energy Solution Providers
eu.bac – European Building Automation Controls Association
FBE – Flow Batteries Europe
IFIEC – International Federation of Industrial Energy Consumers
Orgalim - Europe’s technology industries
smartEn – Smart Energy Europe
Solar Power Europe
T&D Europe – Europe’s grid technology providers