



**TO:**

ENTSO-E President Mr. Daniel Dobbeni  
Cc ENTSO-E: Secretary General Konstantin Staschus  
Cc ACER: Alberto Pototschnig, Director  
Cc Commission: Inge Bernaerts

July 20, 2012

Dear Mr Dobbeni

We are writing on behalf of the CECED, Consumer Focus, ESMIG, eu.bac, Eurelectric, Geode, and the SEDC to voice our serious concerns about the general direction of work now being performed by ENTSO-E with respect to the design of the Demand Connection Code.

Our associations represent a wide range of interests within the energy industry, but are united in their positive attitude toward the development of the Demand Connection Code. We view it as a valuable tool that will provide clarity on important issues by defining how demand-side resources can participate in the electricity markets and contribute to critical services within the power system. Therefore, we have been following the process closely and with interest.

The DCC call for input by ENTSO-E emphasizes that demand-side resources will play a major role in the stability and performance of future European power systems. Such decisions will have significant political, technical and economic implications, for the development of demand-side resources in Europe and for European consumers. We acknowledge that it is legitimate to consider all options. However, decisions must be motivated by sound and comprehensive cost-benefit analysis and based on a fair and equal treatment of demand-side resources in the markets.

From this perspective, the process itself is now becoming a source of serious concern. ENTSO-E seems to be developing the Demand Connection Code without considering their wider implications within the energy value chain, including their impact on property and privacy rights, and market structures or their total cost.

Many parties have reported that ENTSO-E evaluations are flawed or at the very least incomplete.

Indeed, they do not consider:

1. Costs supported by non-TSO entities.
2. Equal treatment of resources: the cost-benefit analysis of the frequency reserves market is based on requiring consumers to participate for free or without full compensation. This would be a prejudiced treatment of one resource over the other. Compensation should be driven by the value of the service and not the level of inconvenience – all partners providing the same resource should receive the same payment for this resource.

Demand response should offer market-driven balancing services on equal terms as and in competition with similar services offered by generation. Introducing compulsory, free or under-compensated demand side resources on this market would impact the entire ancillary market and also could potentially undermine the value and thus incentives for growth of Demand Response in Europe.

3. Privacy rights and the protection of private property: one scenario suggested by ENTSO-E requires mandatory participation of all temperature-controlled appliances in frequency-controlled programmes. This raises issues around an outside party controlling privately owned property without the owner's permission or knowledge.

We are surprised and concerned that ENTSO-E has made proposals without considering the above implications.

It is also premature and inappropriate to introduce detailed drafting relating to the behaviour of energy using equipment. We acknowledge the changes to this approach in the most recent draft, which moves the level of prescription to a different level. However it is still not obvious under which authority ENTSO-E or even ACER members could unilaterally determine that all temperature-controlled equipment will have a frequency dependent operation.

In addition, almost all of the cost-benefit analysis focuses on particular cases, i.e. UK and Ireland, which are not representative of the economics of continental systems. Because of this limitation it will be impossible to build consensus on decisions based on these studies alone. It will also be impossible to build consensus around a document that assumes consumers could be excluded from participation to the DC service market, may not be paid the market price for the services they provide and should be forced to provide those services without alternative options.

To improve the cost-benefit analysis and strengthen the orientations of the Demand

Connection Code, our associations would be pleased to address, in cooperation with ENTSO-E and other partners as appropriate, the integration of the technical work done so far into a coherent business model. In addition, we believe that the discussion on consumer products supporting grid balancing should be addressed in the future Electricity Balancing Network Code that, as we can read from the framework guidelines, seems to be the natural place for this topic.

We believe that ENTSO-E wants to build consensus on the main direction of its Demand Connection Code proposal. We therefore call on ENTSO-E to integrate these central stakeholders' viewpoints into their work, to better reflect market realities and consumer interests.

Very best regards

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Smart Energy Demand Coalition

**Carmen Gimeno**



General Delegate  
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**Willem Strabbing**



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