Annex 8 – Reasons for the proposed amendments to the Demand Connection Regulation

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1. INTRODUCTION

(1) The proposed amendments to Commission Regulation (EU) 2016/1388 of 17 August 2016 establishing a network code on demand connection (hereinafter: the **'DC Regulation'**) directly result from the proposal for the establishment of the demand response network code (hereinafter: the **'DR NC**') and the implementation of the relevant sections of the demand response framework guideline (hereinafter: the **'DR FG')**. More specifically, while the current structure of the DC Regulation remains, the proposed amendments aim to remove the technical requirements for demand units used by a demand facility or a closed distribution system to provide demand response services to system operators ('demand units providing demand response services') from the DC Regulation, and instead integrate them, as appropriate, to Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereinafter: the **'SO Regulation'**).

(2) In this regard, the proposed amendments mainly aim to:

- remove the provisions related to general and specific requirements and operational notification procedures;
- remove the provisions related to compliance testing and compliance simulations; and
- ensure consistency.

(3) The proposed amendments to the DC Regulation are assessed against the objectives of the network codes as set out in Article 59(2) and (4) of the Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity ('Electricity Regulation').

2. GENERAL AND SPECIFIC REQUIREMENTS AND OPERATIONAL NOTIFICATION PROCEDURES

(4) The DC Regulation establishes requirements for transmission-connected demand and distribution facilities, distribution systems, including closed distribution systems, and demand units used by a demand facility or a closed distribution system to provide demand response services to system operators. Title III of the DC Regulation (Articles 27 to 33) includes provisions related to demand units used by a demand facility or a closed distribution system to provide demand response services to system operators. Specifically, Article 27 specifies and categorises these demand response services and includes general provisions, while Articles 28 to 30 lay down technical requirements for these demand units to provide demand response services to system operators. Finally, Articles 31 to 33 include provisions for the operational notification procedure for demand facility owners or closed distribution system operators providing these services, to confirm to system operators their ability to satisfy the relevant requirements.

(5) As grid connection involves a different area of regulation from that of the provision of services to system operators, the DR FG, in paragraph 16.c., considered that it is appropriate i) to separate the requirements for grid connection from the requirements for the provision of services to system operators, and ii) to remove the provisions related to the provision of demand response services from the DC Regulation and integrate them into the SO Regulation.

(6) Article 27 of the DC Regulation specifies and categorises the demand response services, which simultaneously fall under the general category of ancillary services and congestion management

services in the SO Regulation. ACER therefore proposes that Article 27 is removed from the DC Regulation.

(7) Articles 28 and 29 of the DC Regulation lay down requirements for demand units providing active power control, reactive power control, transmission constraint management and system frequency control demand response services to the relevant system operators, to operate across frequency and voltage ranges specified in Articles 12 and 13 of the DC Regulation or specified by the relevant system operator for units connected below 110 kV (points (a), (b) and (c) of Articles 28(2) and 29(2)) and to withstand a rate-of-change-of-frequency up to a value specified by the relevant transmission system operator (Article 28(2) point (k)). Articles 154, 158 and 161 of the SO Regulation set out minimum technical requirements for the provision of frequency containment reserves (FCR), frequency restoration reserves (FRR) and replacement reserves (RR)). Moreover, according to Article 154 of the SO Regulation, system operators have the right to specify additional common properties for the FCR and additional requirements for FCR providing groups, within the frequency and voltage ranges referred to in Article 28 and 29 of the DC Regulation. ACER proposes that the requirements referred to in Articles 28 and 29 of the DC Regulation regarding frequency, voltage and rate-of-change-of-frequency withstand capability, are removed and integrated directly into Articles 154, 158 and 161 of the SO Regulation. ACER also proposes that the requirements included in Article 28(3) of the DC Regulation regarding voltage control with disconnection or reconnection of static compensation facilities are removed and integrated into Article 28 of the SO Regulation.

(8) Articles 28 and 29 of the DC Regulation also lay down requirements for demand units, to be able to provide demand response services (Article 28(2), points (d) to (j) and point (l), Article 29(2), points (d) to (g)). These requirements concern functional or organisational properties and technical capabilities related to the ability of the demand units to provide the relevant ancillary services and congestion management services. As such, they fall under the responsibilities of the SGUs pursuant to Article 54 of the SO Regulation, and their compliance is verified by the relevant system operator through operational testing pursuant to Articles 56 and 57 of the SO Regulation. ACER therefore proposes that these provisions are removed from the DC Regulation.

(9) On the basis of the changes recommended in paragraphs (7) and (8), ACER proposes that Articles 28 and 29 are removed from the DC Regulation, and are instead integrated into Articles 28, 154, 158 and 161 of the SO Regulation with appropriate amendments (see 'Annex 3a – Amended SO Regulation TC'), as explained in paragraphs (9) and (10) of 'Annex 7 – Reasoning to proposed amendments to the SO Regulation'.

(10) Article 30 of the DC Regulation provides the possibility for transmission system operators to conclude agreements with demand facility owners or closed distribution system operators for the provision of very fast active power control demand response service and sets out some minimum content requirements for these agreements. These provisions are already covered by the provisions of Part IV (Load frequency control and reserves) of the SO Regulation on the requirements and agreements concluded between transmission system operators and reserve providers. ACER therefore proposes that Article 30 is removed from the DC Regulation.

(11) Articles 31 to 33 of the DC Regulation include provisions for the operational notification procedure for demand facility owners or closed distribution system operators providing demand response services, to confirm to system operators their ability to satisfy the requirements referred to in Articles 28 to 30. These provisions are also covered by provisions relating to qualification processes and related data exchange in the SO Regulation and the proposed DR NC, with the exception of specific requirements relating to the provision of locational information from distribution-connected demand facilities and closed distribution systems providing demand

response services, which should be integrated into the SO Regulation. ACER therefore proposes that Articles 31 to 33 are removed from the DC Regulation, and are instead integrated into Article 53 of the SO Regulation with appropriate amendments (see 'Annex 3a – Amended SO Regulation TC'), as explained in paragraph (11) of 'Annex 7 – Reasoning to proposed amendments to the SO Regulation'.

3. COMPLIANCE TESTING AND COMPLIANCE SIMULATIONS

(12) Articles 41 and 45 of the DC Regulation describe procedures for demonstrating the compliance of demand units providing active power control, reactive power control, transmission constraint management and very fast active power control demand response services, with the relevant requirements included in Articles 28 to 30, through the performance of tests or simulations. These procedures are covered through provisions of the SO Regulation related to prequalification and operational testing for proving the compliance with all relevant technical operational provisions of that regulation and for transmission system operators to ensure fulfilment of ancillary services, which should be extended to also include congestion management. ACER therefore proposes that Articles 41 and 45 are removed from the DC Regulation, and are instead integrated into Articles 56 and 57 of the SO Regulation with appropriate amendments (see 'Annex 3a – Amended SO Regulation TC'), as explained in paragraph (12) of 'Annex 7 – Reasoning to proposed amendments to the SO Regulation'.

4. AMENDMENTS FOR CONSISTENCY PURPOSES

(13) Following the amendments proposed in paragraphs (6) to (12), ACER proposes appropriate changes for consistency purposes to recitals (8), (**1), (10), (14), (15) and (23) and to Articles 1, 2, 3, 4a, 9, 10, 24, 34, 35, 36, 42 and 58 of the DC Regulation and editorial changes in recitals (5) and (8).