

## Engagement at scale — the role of industrial energy users for a successful Clean Energy package



During the past EUSEW in Brussels, on June 22<sup>nd</sup>, a panel session on “The role of energy intensive industry in the implementation of the clean energy package” was organised in a consortium of partners representing a strong voice in the energy policy debate in Europe: IFIEC (International Federation of industrial energy consumers), SEDC (Smart Energy Demand Coalition), H2020 project “IndustRE” and Ecofys.

The panelists were

- Augustijn van Haasteren - DG Energy, European Commission
- Peter Claes – IFIEC
- Paul Troughton – SEDC/ EnerNoc
- Daniel Becker - Ecofys
- Tomás Gómez – Comillas University/ IndustRE project

The session was moderated by Ms. Sonja Van Renssen, freelance journalist engaged in energy topics (e.g. for “Energy Post”).

The interesting debate pointed out from different angles how the clean energy package can help align conflicting signals to the energy intensive industry regarding issues such as: energy efficiency, demand response, capacity remuneration mechanisms and network services.

**Augustijn van Haasteren, policy officer at DE Energy**, at the European Commission, opened the discussion highlighting first some economic targets linked to the Clean Energy Package: *“We hope to mobilize 177 bn € of public and private investment as from 2011; in the next decade we hope that that the Clean Energy Package will also contribute to 1% GDP growth, and the energy bill for all these measures combined to be reduced by 30 bn € per year.”*

He furthermore emphasized that *“the role of the market design element of the Clean Energy Package is how we make sure that the right actors are involved in the markets and how the electricity system is really working in conditions that reduce the overall costs.”*

With regard to the potential of demand response which is estimated to bring around 1 bn € per year to the system and contributing to these goals, he stressed the need *“to facilitate that the demand response potential that exists is actually realized which relates to a series of questions on the role of aggregators, the right incentives and to take away barriers. This contribution of demand response to make the electricity system more flexible and cost effective is obvious.”*

**Peter Claes, VP from IFIEC**, stressed as one key element in this new Clean Energy Package *“the right for each end-consumer to valorize its flexibility, that is a fundamental principle which was not obvious before. We furthermore need the notion of an ‘energy-only’ market for demand response to come to the system.”*

He also pointed out a misperception that still sees *“demand as this side of the system responding to availability of generation. This cannot be the goal of an electricity market, neither for end-consumer nor for businesses. Industrial demand is not permanently available and hence we need to find ways that all these specific characteristics of industrial demand are taken into account in the process.”*

**Paul Troughton, Senior Director of Regulatory Affairs in Enernoc and member of SEDC**, emphasized another key issue within the Clean Energy Package *“that proposes to allow aggregators to go directly to customers without needing to ask permission from their retailers”*.

He also pointed out the need for access to market for all actors: *“You could do the clean energy transition without involving industrial and commercial customers, but it would be largely expensive because supply-side resources are very expensive services, in particular for Fast Frequency Response, which load can do well, whereas generation and storage result very expensive”*.

Related to the recent opening of capacity markets, his view is that *“capacity markets per se aren’t a bad thing for industrial and commercial customers, capacity markets are only a bad thing if it is a subsidy scheme for generation, but if it is something seeking to find enough capacity to keep the lights on under extreme conditions at lowest costs, then it should have a lot of demand side resources offering into that, and this could be a good thing for industrial customers and the economy.”*

**On behalf of the project consortium of the H2020 project “IndustRE”, Prof. Tomás Gómez from University Pontifica Comillas** was explaining that *“in the Horizon2020 research project “IndustRE” we are addressing the question how much flexibility can provide the energy intensive industry. For example, many processes have thermal inertia, which is a kind of storage, but we do not use these yet. Our project is focusing on the necessary regulatory changes to be included in the market design to get prepared for a future with more renewables in the system and to enable demand participation”*.

Some of the analysed business models in the IndustRE project *“show how industrial consumers can reduce their energy bills by using their flexibility and react to dynamic price signals from the day-ahead, wholesale and intra-day market.”*

As one outcome of the IndustRE project, the final recommendations regarding policies and future market design will emphasize on various topics. Tomás Gómez mentioned some examples here:

- *“to move away network tariffs from purely volumetric to more capacity driven tariffs, to be cost reflective and charge them during a few peak hours when the*

electricity network is really stressed.”

- “to re-allocate regulated and other policy costs in the electricity bill according to principles of price elasticity, in case of large industrial consumers meaning to reduce their cost contribution here”
- “to develop more standardized products in TSO balancing markets and reserves”
- “to remove price caps and to allow high price volatility in order to value the flexibility of industrial consumers and justify their necessary investments”

**Daniel Becker, managing partner in Ecofys**, highlighted some thoughts and conclusions based on the project “Energy Efficiency Watch”, which has assessed the energy efficiency plans and policies in the different EU member states. He stressed that *“what we have now, is a very elaborated tool-box of specific energy efficiency policies for all sectors. However, what we are lacking is implementation, mainly due to reluctance from national governments, accompanied by underestimating the potential of energy efficiency.”*

In this context, he also remembered the importance of technology leadership of Europe and claimed that *“now we need to break-up this underestimation of energy efficiency, and therefore it is important to keep in mind an international perspective, meaning not only to talk how to achieve climate goals, but also the question of internal competitiveness comes here into play from a technology perspective.”*

In the subsequent questions, replies and comments, all panellists agreed that the recent Clean Energy Package is a good starting point with promising ideas and directions for industrial consumers, but still a lot of work lies before us and needs to be kept on going.

In his final statement, **Augustijn van Haasteren, policy officer at DE Energy**, concluded that *“the new Clean Energy Package is a forward-looking market design, taking into account the general context how markets should work, in order to bring costs and price benefits to all consumers.”*

