Germany and France collaboration on power system flexibility

Following the statement in the margins of the Energy Council of 4th March between Sven Giegold, State Secretary at the German Federal Ministry of Economic Affairs and Climate Action and Roland Lescure, Minister Delegate for Industry and Energy, both countries recognize the importance of energy systems flexibility as an essential tool to achieve the energy transition. With the phasing-out of fossil fuels to achieve decarbonization and the massive development of intermittent and non-dispatchable renewable energies, both countries underline its key role to ensure security of supply and to optimize the operation of the electricity system while bringing down electricity prices and strengthening Europe competitiveness.

Consequently, Germany and France welcome the recent reform of the Electricity Market Design (EMD), which strengthens the role of flexibility. Both countries look forward to the upcoming Network Code Demand Response (NC DR) that can contribute to the development of Demand Side Response (DSR) products, measurement standards and activation of flexibility potentials.

Nevertheless, Germany and France recognize that there are various challenges and barriers to leverage the flexibilization potential. The main challenge is to remove barriers to and incentivize the market entrance of demand flexibility. An overall challenge is to integrate the diverse flexibility options in an overall system-supporting manner that improve the stability and efficiency of the electricity system as a whole. Otherwise, inefficient support of flexibility options could lead to high and avoidable costs in the electricity system and risk system stability. Furthermore, other significant challenges cover for instance the need of technological development, assuring the necessary level of cybersecurity at all levels of the value chain, the need for an evolution of futures markets products and tariffs, the interoperability of systems in order to improve the standardization of data access between actors, the delayed infrastructure expansion, the absence of regulation or the insufficient acceptance.

Joint action plan on working on flexibility

France and Germany share the view of the importance of flexibility to ensure competitive prices for consumers and industry and want to intensify their work and exchange to unlock the potential of flexibility :

1. **France and Germany** will work on a **common analysis, understanding and definition of Flexibility.** They will share views and elements of analysis of the different dimensions of flexibility based on a report and data exchange from both countries. **They will engage on a common study on the potential of flexibility especially regarding enabling competitive prices for industry and consumers and the benefits brought for electricity markets and grid stability.**

2. **France and Germany want to unlock the potential of demand-side flexibility.** For this, we mainly need to **remove barriers** to and incentivize the market entrance of **demand flexibility.** We will exchange and work together on possible options and also on good practices to tackle the challenges identified on the demand-side. Both countries will discuss on how to encourage time of use monitoring of electricity consumption. Concerning market

signals, they will share their views on diverse options for differentiated market tariffs in order to find the right balance between

(a) fostering demand response development via price signals and
(b) providing protection of consumers against the exposure of excessive price peaks.

They will discuss for example on time-of-use peak/off-peak, mobile peak offers, hedged real time pricing contracts or use tariffs. Regarding devices, both countries will discuss about the development of appropriate technologies in order to facilitate that flexibility reacts to a price signal such as smart meters and other smart devices while considering the issues of interoperability and the settling of common standards and protocols namely on data.

3. **We want to unlock the potential of flexibility for grids and intend to exchange on key factors to do so:** We share the view the distribution grid needs to become fit for more flexible consumers (e.g. EV charging, heat pumps) at the distribution level and that grid charges are an important factor that can influence the development of demand-side response.

4. **Germany and France welcome that the Network Code Demand Response (NC DR) will define products for flexibility and facilitate market access of flexibility.** They will continue to exchange on / aim to **work joint position on the relevant elements of the Network Code (NC)** on how to facilitate activation of flexibility in Europe's energy system, while respecting the provision of the EU Electricity Regulation and Directive.

5. **France and Germany will also discuss, exchange on and consider options and good practices to increase flexibility on the production side:** both countries will share their views on rights and duties of producers in order to ensure a secure operation of the electricity power system, in light, in particular with the recent System Stability Roadmap published by Germany. Furthermore, they will exchange on storage solutions in complement to renewables.

6. **Conclusions of our joint actions on flexibility will include good practices and recommendations for further cooperations, which be included in our flexibility roadmaps which we want to align or partly join as much as possible.**

7. Both countries will continue to **report on the progress and good practices e.g. during a stakeholder's dialogue hosted by the Franco-German Office of the Energy Transition (OFATE/DFBEW), as well as within the framework of the Pentalateral Energy Forum.**