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Electricity Market Design: Recognise behind-the-meter generation that supports the electricity grid

Joint industry statement

In its proposal to improve the Union's electricity market design from March 2023, the European Commission proposed to explicitly exclude behind-the-meter generation when bidding for a **peak shaving product** as well as in **flexibility support schemes**.

The undersigned organisations represent manufacturers and users of decentralised, "behind-the-meter" generation. "Behind-the-meter" generation, while currently not defined in European Union (EU) law, is generally understood to include any generating unit situated behind a metering point. This includes solar PV but also on-site combined heat-and-power (CHP) plants, used by industrial and commercial facilities and households to efficiently generate on-site electricity and heat.

Those CHP plants, using different energy sources including biogas, biomass and hydrogen, allow to self-consume energy but they can also contribute to demand management schemes, replacing the electricity demand from the grid by activating local generation.

Industrial CHP today accounts for 60 GW of installed capacity and approximately 8% of the total electricity produced in the EU. These decentralised installations help relieve the grid in times of high (peak) demand and low supply and, therefore, help counteract high market prices.

- Excluding behind the meter generation from peak shaving products (new Article 7a.2 - point g) means **depriving the grid of decentralised solutions that relieve pressure on the grid**, and therefore increasing grid expansion and reinforcement costs.

- While it is understandable that flexibility support schemes should not lead to an increase in greenhouse gas emissions (new Article 19f – point c), **the specific Commission proposal discounts the role of on-site cogeneration in providing dispatchable balancing capacity**, in addition to important energy savings that boost industrial competitiveness. Already today, industrial cogeneration significantly reduces GHG emissions by displacing more carbon intensive marginal power from the grid. As energy sources become cleaner, CHP will evolve to a low and no-emitting source. In the case of larger industrial installations, the decarbonisation is already driven by the ETS.

With this in mind, we request policymakers to substantially improve the wording so as to avoid disincentivising decentralised solutions that contribute to system integration and, ultimately, to the decarbonisation of the energy system.

Signed:

CEFS - European Association of Sugar Manufacturers

COGEN EUROPE - The European Association for the Promotion of Cogeneration

EUGINE - European Engine Power Plants Association

EUTurbines - European Association of Gas and Steam Turbine Manufacturers

Starch Europe | Plant-Based Solutions