Regulatory barriers for activating flexibility in the Nordic-Baltic electricity market

The rapid growth of variable renewable energy (VRE) and the expected decrease of conventional generation capacities will generate more flexibility needs in power systems and require flexibility resources to be activated. Flexibility potentials do exist, whether they refer to installed generation, load adjustment or to a greater coupling to other energy sectors. In this paper, we identify the framework conditions that influence the provision of VRE-friendly flexibility in the Nordic and Baltic electricity sector, i.e., the market and regulatory settings that act as drivers or barriers to flexibility. We find that the most restrictive barriers against flexibility are emitted by public authorities as part of broader policy strategies. Overall, we find that current regulatory and market framework conditions do not hinder flexibility. However, despite that, flexibility remains limited due to a lack of coherent instruments intended to both the demand and supply-side to effectively act flexibly.

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