Large share of variable renewable energy sources (VRE) is being deployed in the Nordic countries, especially wind power. This calls for additional flexibility of the power market. With the right coupling to the underlying national and local district heating (DH) markets, large shares of flexibility can be generated. However, regulatory barriers and different energy taxes may hinder the potential benefits from systems integration and lower the realisable potentials. By a case study for Denmark we survey and discuss regulatory barriers and drivers for flexibility obtained from DH. We reveal that the choice of technologies for heat generation is mainly driven by outdated policies and tax conditions that create barriers for additional flexibility in the overall energy system. However, the balancing markets may be a main driver for introducing more electric boilers into DH and thereby increase its contribution to flexibility.