UNIVERSITÄT ZU KÖLN

Energiewirtschaftliches Institut an der Universität zu Köln

# Forschungskolloquium | Research Seminar

*Präsentation im Rahmen des Seminars | Seminar presentation*

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Titel:

**Network Charges as Institutional Discipline: Why Aggregators Behave When Their Members Foot the Bill**

Abstract:

Distribution system operators will increasingly procure flexibility from household aggregators in place of grid expansion, a market usually assumed to be competitively supplied. At the local level this might not be the case: a single aggregator could face a captive, regulated buyer (the DSO) and withhold flexibility to climb the DSO's willingness-to-pay schedule, not unlike a union restraining labor supply to raise the wage it commands from a single employer. Our central finding is that the discipline on this market power comes from the allocation of network charges itself, without any direct regulation. When an aggregator's members bear a share of the grid bill equal to their share of the population, any markup the aggregator extracts is partly passed back onto those same members, and it restrains its pricing of its own accord. The strength of this discipline turns on a single design choice: how grid costs are divided between flexible and non-flexible households. Where that division tracks the underlying population, the market disciplines itself; where it does not, the aggregator's market power reasserts itself and compounds the capital bias already present in the regulated operator's investment incentives. Germany's §14a tariff discount, intended to lower the barriers to flexible-asset adoption, is a concrete instance of such a decoupling, and it thereby weakens precisely the mechanism that would otherwise hold market power in check.