Environmental Innovation and Societal Transitions, vol.40, pp.645-662, September, 2021.

# Understanding the limits to forming policy-driven markets in the electricity sector

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**Abstract-**

**The formation of policy-pushed markets has been underexamined in the transition literature, despite their importance for achieving sustainability policy objectives and their greater risk of failure. This study draws from service-dominant logic, i.e., a marketing-originated meta-theory of markets, to explain why one of these policy-pushed markets—local energy flexibility markets—may not develop. In particular, we show that to decide whether to participate in these policy-pushed markets, market actors assess the resources available to them, anticipate the required interactions to integrate resources, and forecast potential value formation. Actors’ limited ability to identify or access resources, and/or their unwillingness or inability to interact with other actors to integrate resources explain why value processes do not unfold so that the market does not develop. We also demonstrate that existing institutional arrangements may limit actors’ agency to access to resources or coordinate value flows, which prevents the policy-pushed market from self-adjustment.**

**Index Terms- Sustainable markets; Service-dominant logic; Resource integration; Electricity markets; Energy industry**



**Citation:**

*Valor, C.; Lind, L.; Cossent, R.; Escudero, C. "Understanding the limits to forming policy-driven markets in the electricity sector", Environmental Innovation and Societal Transitions, vol.40, pp.645-662, September, 2021.*