

5 March 2019 – Brussels  
16<sup>th</sup> MESC meeting

# EFET considerations on the ACER and ENTSO-E Bidding Zones reports

**EFET**

European Federation  
of Energy Traders  
**SO YOU CAN RELY ON THE MARKET**

# ACER Market Monitoring Report:

- Good report. Provides **clear overview for many zones and borders**.
- **Focus on increasing amount of XB capacity** is much appreciated and supported.
- Analysis of **level of competition missing** completely: no HHI, no C3 indices, etc.
- Analysis of **level of liquidity is much too short**. Good conclusion on DE/LU zone.
- **Why no ACER recommendation on how to improve liquidity?** (while existing for gas market)
- Conclusion that *“direct correlation between size of BZ and liquidity cannot be established”* is **not acceptable**. Splitting a zone in 2 or more will require more products for a perfect hedge and thus reduce the liquidity of such products.
- Recommendation *“with regard to forward markets, solutions that decouple liquidity from the size of the BZ [...] would enable the equal access of market participants to hedging opportunities irrespective of their geographical location.”* is **incorrect**: these instruments **do not provide a perfect hedge** for the exposure of market participants.

# ENTSO-E Technical Report:

- Good idea to present **factual information**.
- Data **seems imprecise**:
  - Congestion income is **showed per country, not per border**.
  - **Total figure does not give sufficient insights**, as congestion income may be the result of managing congestions at ICs, but also congestions inside BZs.
  - Costs of remedial actions **must be split** in actions to manage congestions between zones and congestions inside zones.
- Some interconnectors seem missing (BritNed, NorNed, Baltic Cable). Are **firmness costs of such interconnectors included**?
- **Data from Nordic countries seem missing**. No reason for this omission, as SvK, for example, is regularly reporting to DG Competition on congestions!
- Showing size of congestions (and amount of redispatch costs) is good. But it is more **important to get insight in the efficiency of the management of congestions**.

# Conclusions

- ACER and ENTSO-E reports are **not a good basis** for a new BZ evaluation:
  - Missing the **insight on how to measure the overall efficiency of the market**
  - Missing the **insight on the impact of zone configuration on liquidity** and thus on welfare
  - Missing the **insight on efficiency of congestion management**
- Such insights should be obtained first to ensure a proper evaluation of the current BZ delineation, and **before** a potential new bidding zone delineation!
- Current bidding zone configuration is still **largely based on member state borders**
  - Such configuration from a EU perspective is **not optimal**
  - ACER and ENTSO-E's analysis should remain at technical level and **not be limited by possible political difficulties**
  - EFET looks forward to further work on model-based analysis