

ACER



Agency for the Cooperation
of Energy Regulators

Expectations and suggestions for the bidding-zone review

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*******Disclaimer*******

The opinions expressed in this presentation are preliminary, do not portend and may not represent the final views of the Agency for the Cooperation of Energy Regulators.

The presentation describes expectations and suggestions to improve the bidding-zone review process following the adoption of the CEP.

Outline

1. Scope
2. Assumptions
3. Criteria
4. Alternative bidding zone configurations

- The scope of the BZ review following the CEP is **the whole EU**.
- The starting point shall be a **single EU methodology**, to be developed by ENTSO-E and approved by all NRAs (ACER in case of disagreement).
- **Alternative BZ** configurations should be defined and studied in **all Regions**...
 - » ... unless the main criteria of the CEP are already fulfilled (no structural (physical) congestions and 70% capacity offered for cross-border trade).
- Focus is on **alternative BZ configurations** not on future generation/load/network scenarios.

- Time horizon = 3 years (CEP)
- \approx 2-3 generation/load/network scenarios:
 - » Based on recent, reliable forecasts,
 - » Assumptions shall be consistent with time horizon,
 - » **Only network investments without any risk of delay** (already under construction), and
 - » Data should be detailed at nodal level, to easily study multiple BZ configurations.

- The main goal should be to assess realistically the change in economic surplus induced by different BZ configurations
- The **counterfactual** (against which other configurations will be assessed) should be **the current BZ configuration with a 70% minimum capacity** offered for cross-zonal trade.
- Focus on criteria which can be monetised, ideally with limited uncertainty. The uncertainty range should be provided
- The **main conclusions** of a BZ review should be based on **economic surplus** derived from monetised indicators

- When calculating the total costs of dispatch, the **differences in the efficiency of day-ahead markets Vs. redispatching 'markets' should be acknowledged and clearly explained**
- One-off costs/benefits should be annualised when comparing with recurrent yearly costs/benefits
- Other (non-monetised) criteria should be evaluated as either satisfactory or unsatisfactory
- Aspects which cannot be monetised should be treated separately...
 - ... in particular when any undesired effect can be addressed through market design (e.g. forward market liquidity)

4. Alternative BZ configurations

- Total \approx 8-10 BZ configurations.
- Main focus should be on **alternative BZ configurations that are still compatible with country-borders.**
 - » Pure model based approach should have less priority
 - » Model-based approach should help inform expert-based configurations.
- NRAs/Agency have a final say on configurations (CEP). Their early input (on the expert-based approach) is recommended.*
- Nodal scenario as a benchmark.
- Configurations should not be excluded from the analysis on political grounds.

- The previous bidding-zone review had many weaknesses, which prevented drawing meaningful conclusions.
- The Agency hopes for:
 - » Strong ENTSO-E commitment driven by common EU interest.
 - » High quality and fact-based results (with a focus on quantitative ones).
 - » Limited impact of partial/political interests.
 - » Stakeholders support.

Thank you for your kind attention



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