

Strategic advice on the approach to the bidding zone review

Context

- a. ENTSO-E has proposed the following overall concept for the bidding zone review, to be approved by the National Regulatory Authorities (NRAs): the methodology will be designed and agreed by all TSOs, while a regional approach will be used for configurations and reviews.
- b. The proposal on the modelling methodology for the bidding zone review was submitted in October 2019 and resubmitted on February 2020 to the relevant NRAs, without any formal consultation or workshop having taken place during the 3-month formal development period.
- c. Discussions were held in the Market European Stakeholder Committee (MESc), but it is our understanding that MESc is not to replace neither formal consultations nor formal workshops.

Advice

The ENTSO-E Advisory council considers that EU Regulation 2019/943 points to, inter-alia, cost-efficiency, and optimal solutions at Union level, in order to unlock the full potential of European market integration. This is stated, for instance, in:

Art.14.1. [...] The configuration of bidding zones in the Union shall be designed in such a way as to maximise economic efficiency and to maximise cross-zonal trading opportunities in accordance with Article 16, while maintaining security of supply.

Art. 14.3. In order to ensure an optimal configuration of bidding zones, a bidding zone review shall be carried out. That review shall identify all structural congestions and shall include an analysis of different configurations of bidding zones in a coordinated manner with the involvement of affected stakeholders from all relevant Member States [...]

A regional approach with regional governance and regional analysis in isolation is not consistent with an interconnected pan-European system, since it does not capture the potential impact of changes in one region on other regions.

Implementation at regional level is explicitly mentioned in the European regulations on capacity allocation and congestion management (CACM), forward capacity allocation (FCA) or electricity balancing (EBGL) for some methodologies. This is not the case for the bidding zone review.

Therefore, such an approach does not meet legal requirements, it is likely to result in different interpretations or applications of the review methodology (the Advisory Council also has concerns on the proposed methodology, but these concerns are not in the scope of this advice) and it will yield sub-optimal and non-conclusive results. It adds complexity to an already complex setup with many capacity calculation regions (CCRs) for many methodologies and aspects, which is made worse by the fact that the proposed regions will not necessarily be the CCRs in all cases.

The ENTSO-E Advisory Council proposes a bidding zone review based on a central approach, in terms of governance, analysis, consultation, drafting of conclusions and decision making. ENTSO-E shall naturally have the central role for all EU/relevant TSOs' proposals/input.

The bidding zone review should be based on pan-EU modelling. While the common grid model CGM is not yet fully up and running, the model used for the Ten Year Network Development Plan (TYNDP), as an existing pan-European model, should be used to meet the requirements for the identification of structural congestions taking into account progress on infrastructure development projects.

Enhanced stakeholder involvement (not just updates or provision of information) is necessary and should be the case throughout the entire bidding zone review, which includes the modelling and assumptions. A regional approach would make it much more cumbersome for stakeholders to follow and effectively respond to the relevant consultations, compared to a central approach.