

# Initial Feedback to the draft First Edition of the ENTSO-E Bidding Zone Review

Public Stakeholder Workshop

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# Overview

1. General feedback on the Bidding Zone Review process
2. Initial feedback on the draft Bidding Zone Review
3. Bidding zone considerations in the Clean Energy Package

# 1. General feedback on the report drafting process

- We appreciate ENTSO-E's efforts to achieve transparency, such as clear inclusion of stakeholder feedback in the report and today's workshop.
- Comprehensive stakeholder engagement is vital. BZ (re-)configuration has significant consequences for the markets, both spot and derivatives.

## Points for improvement

- **Planning:** more notice and discussion is needed in advance of major changes such as discarding the model-based scenario approach.
- **Transparency throughout the process:** need for information on how the initial and final configurations were chosen, on what basis decisions were made and what factors were considered in this process.
- **ENTSO-E liquidity and transaction and transition costs surveys (Nov 2017):** limited stakeholder feedback. Overly complex format?
- **Communication in the BZ SAG:** it is important to receive documents well in advance of meetings.

## 2. Initial feedback on the First Edition report

- It is positive that the report recognises the profound consequences for the market of any BZ reconfiguration.
- A more transparent and systematic approach to the **selection of scenarios** is necessary, to ensure balanced coverage and assessment.
- The report finds negative outcomes on **market liquidity** (worse than status quo) for splitting scenarios in all timeframes, including spot and forward.
- The study recognises the following key aspects as beneficial for liquidity:
  - High connectivity (or improved congestion management) between bidding zones is beneficial for liquidity;
  - Stable set-up of a bidding zone (i.e. long-lasting existence).
- Further detailed impact assessments are necessary, e.g. regarding the development and influencing factors of **redispatch costs** within and across bidding zones, the full assumable range of market impact scenarios and other relevant aspects.

### 3. Bidding zone considerations in the CEP

#### Article 13 Electricity Regulation

- **Stability is vital:** it is imperative to consider the impacts of any BZ changes on the long-term stability and efficiency of markets.
- **Long-term visibility:** if eventually any split or merger of existing BZs is proposed, it must be thoroughly justified, and communicated well in advance.
- **Decision making process:** there need to be a clear rules in place for any reconfiguration of the existing bidding zones, with clear responsibilities.
- **Stakeholder involvement:** explicit inclusion of all key market stakeholders in the review process, including spot and derivatives market operators.
- **Balancing zones:** must be aligned with bidding zones. In this respect, imbalance price areas should follow the configuration of bidding zones, not the other way around.

### 3. Bidding zone considerations in the CEP

#### Article 14 Electricity Regulation

- The maximum possible amount of cross-zonal capacity should be made available to the market.
- A full impact assessment should be carried out before any minimum benchmark (e.g. 75%) for cross-border interconnection capacity is introduced.
- It is crucial to have transparency on the underlying reasons for any capacity restrictions.