

Public Consultation on the Methodology and assumptions that are to be used in the bidding zone review process and for the alternative bidding zone configurations to be considered

Fields marked with * are mandatory.

Public Consultation on the Methodology and assumptions that are to be used in the bidding zone review process and for the alternative bidding zone configurations to be considered

in accordance with Article 14(5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity

This consultation is addressed to all interested stakeholders.

Replies to this consultation should be submitted by ~~15 April 2020, 23:59 hrs (CET)~~.

As a result of the challenging situation caused by the corona virus pandemic, the deadline for submission of comments has been extended to 24 April 2020, 23:59 hrs. This extension aims to balance the stakeholders' need for sufficient time to provide in-depth feedback on this important issue with the tight deadlines envisaged in the Regulation for the decision making-process.

Questions should be addressed to ACER at: ACER-ELE-2020-001@acer.europa.eu

Introduction

* Name and surname

* Company, address, phone

* Country

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- Belgium
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- Croatia
- Cyprus
- Czech Republic
- Denmark
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- Finland
- France
- Germany
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- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden
- United Kingdom

* Email

* Is your input into this consultation confidential?

- YES
- NO

* Please, explain what is the reasoning of your confidential submission.

In case your answer is confidential, please submit a non-confidential version as well. The Agency will carefully consider all responses received (whether confidential or not), but anonymous responses will generally not be taken into consideration. For further details see the [ACER guidance note on consultations](#).



ACER will publish all non-confidential responses.

ACER will process personal data of the respondents in accordance with Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, taking into account that this processing is necessary for performing ACER's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see ACER's Guidance Note on Consultations and the specific privacy statement attached to this consultation.

Context

Objectives

This consultation aims to gather views and information from stakeholders on the methodology and assumptions and for the alternative bidding zone configurations to be considered for the bidding zone review process, pursuant to Article 14(5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity.

Specifically, the consultation follows the proposal (the 'Proposal') developed in accordance with this article. The latest version of this Proposal was submitted by TSOs on 18 February 2020. The consultation further focuses on areas for improvement of the Proposal identified by the European Union Agency for the Cooperation of energy regulators ('ACER').

ACER will use the input from the consultation to inform the decision-making process on the approval of the Proposal, the responsibility of which currently lies with regulatory authorities.

Related documents

- [Regulation \(EU\) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators \(recast\)](#)
- [Regulation \(EU\) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity \(recast\)](#)
- [Commission Regulation \(EU\) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation \(EC\) No 714/2009 of the European Parliament and of the Council Text with EEA relevance](#)

- [All TSOs' proposal for the methodology and assumptions that are to be used in the bidding zone review process and for the alternative bidding zone configurations to be considered in accordance with Article 14\(5\) of Regulation \(EU\) 2019/943 of the European parliament and of the Council of 5th June 2019 on the internal market for electricity](#)
- [ACER Guidance Note on Consultations](#)

Legal background

Pursuant to Article 14(5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, ENTSO-E, on behalf of all TSOs, published and submitted to regulatory authorities on 7 October 2019 a proposal. Regulatory authorities identified shortcomings. In particular, the proposal did not include any alternative bidding-zone configuration for Central Europe. Regulatory authorities requested that TSOs amend the proposal before 20 February 2020. [ENTSO-E, on behalf of all TSOs, published and submitted to regulatory authorities on 18 February 2019 an amended proposal.](#)

Taking stock of lessons learnt from previous bidding zone reviews (including the most recent one, within Italy), ACER is gathering views from stakeholders in an attempt to identify improvements to the proposed bidding zone review methodology, assumptions and configurations. The consultation is intended to support on-going regulatory discussions prior to the adoption of the methodology.

The consultation is divided into two parts. The first one refers to the methodology itself, while the second part refers to the study of alternative configurations.

1. Bidding zone review: Methodology

Pursuant to Article 14(5) of Regulation (EU) 2019/943 TSOs and regulatory authorities must review bidding zones. The review must identify all structural congestions and include an analysis of different configurations of bidding zones in a coordinated manner with the involvement of affected stakeholders from all relevant Member States, in accordance with the capacity allocation and congestion management guideline adopted on the basis of Article 18(5) of Regulation (EC) No 714/2009. The review must assess current bidding zones on the basis of their ability to create a reliable market environment, including for flexible generation and load capacity, which is crucial to avoid grid bottlenecks, balance electricity demand and supply, and secure the long-term investments in network infrastructure.

Article 33 of the CACM Regulation establishes a list of minimum criteria that shall be considered when performing the bidding zone review and therefore expected to be included in this 'Proposal'. In light of these requirements and the experienced gained in the previous bidding zone review, the following aspects of the methodology are consulted: i) the Pan-European consistency of the methodology, ii) the level of transparency and stakeholders' engagement, iii) the need to ensure a conclusive bidding zone study, and iv) the level of detail, quality and relevance of the methodology.

Topic 1: Pan-European consistency of the methodology

A bidding-zone review methodology must take account of existing regulatory work on the topic, and the reality of the European network, while achieving the necessary standard of European harmonisation.

1.1.1 Please rate your degree of agreement or disagreement with the following statements: 1- Strongly disagree; 2- Disagree; 3- Neither agree nor disagree; 4- Agree; 5- Strongly agree.

	1	2	3	4	5
1. The assumptions and the methodology for the bidding-zone review must remain pan-European to the extent possible. Further consistency between regions must be ensured in the methodology included in the Proposal.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. While the proposal may accommodate regional aspects when duly justified, pan-European principles that aim to maximise European welfare should be ensured, e.g. concerning capacity calculation principles. In this regard, the methodology should be consistent with recommendations and decisions of ACER regarding capacity calculation (e.g. the ACER Recommendation on capacity calculation and the ACER decision on the Core capacity calculation methodology).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

1.1.2. Please detail below which aspects of the Proposal adequately ensure overall pan-European consistency of the bidding-zone review methodology and **should therefore be retained** in the final methodology.

1.1.3. Please detail below which aspects of the Proposal hamper overall pan-European consistency of the bidding-zone review methodology, and **should therefore be amended** in the final methodology.

1.1.4. Please add any comment on the need to ensure pan-European consistency.

Topic 2: Transparency and stakeholders' engagement

In the context of a bidding zone review, aimed at assessing existing bidding zones against possible ones in order to better ensure the abovementioned objectives, Article 14(3) of Regulation (EU) 2019/943 sets that the review should involve *'affected stakeholders from all relevant Member States'*.

1.2.1 Please rate your degree of agreement or disagreement with the following statements: 1- Strongly disagree; 2- Disagree; 3- Neither agree nor disagree; 4- Agree; 5- Strongly agree.

	1	2	3	4	5
1. Maximum transparency must be guaranteed at all stages of the bidding zone review. In particular, all data, assumptions and relevant parameters used in the review should be published, subject to confidentiality issues and aggregation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. There is a need for enhanced involvement of stakeholders during the bidding zone review process. This involvement should be described in the methodology.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

1.2.2. Please detail below which aspects of the Proposal adequately ensure transparency and stakeholders' engagement, and **should therefore be retained** in the final methodology.

1.2.3. Please detail below which aspects of the Proposal hamper transparency and stakeholders' engagement, and **should therefore be amended** in the final methodology.

1.2.4. Please add any comment on the topic of transparency and stakeholders' engagement.

Topic 3: Need to ensure a conclusive bidding zone study

The steps and descriptions included in the methodology should be sufficiently clear and precise to ensure

that the bidding zone study delivers an outcome that allows for an informed decision on whether to maintain or change the bidding zone configuration.

1.3.1 Please rate your degree of agreement or disagreement with the following statements: 1- Strongly disagree; 2- Disagree; 3- Neither agree nor disagree; 4- Agree; 5- Strongly agree.

	1	2	3	4	5
1. Quantifiable, possibly monetised criteria should be the focus of the bidding zone review.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. The assumptions and data used as inputs for the bidding zone review should be, as much as possible, checked against reality; the methodology should be based on realistic expectations about the future.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. While methodological simplifications may be necessary to enable a timely delivery of the bidding zone study, they should not decrease the quality and relevance of the underlying analysis and indicators. In general, methodological simplifications should be sought when they are not expected to impact the results of the study.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. The current TSOs' proposal to assess market liquidity mainly focuses on possible changes of liquidity in day-ahead markets. While liquidity of day-ahead markets is important, an assessment of liquidity impacts across all timeframes should be included. In particular additional indicators to capture the impact of a bidding zone reconfiguration on forward markets liquidity in a holistic manner should be considered.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. In the first bidding zone review pursuant to CACM, significant efforts were put in simulating cross-zonal capacity calculation in a very detailed manner. In view of the 70% minimum target of cross-zonal capacity envisaged in the CEP, which will be taken into account in the bidding zone review, the role of capacity calculation may be less crucial than in the first bidding zone review. As a consequence, some simplifications in simulating cross-zonal capacity calculation should be envisaged, which would allow to increase the efforts on other important aspects of the review.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. The current TSOs' proposal for the simulation of short-term welfare effects seems to exclusively rely on the changes in generation dispatch and related costs, while demand-side response is mostly disregarded. Given that a bidding zone configuration may have relevant impacts on the patterns of day-ahead market prices, DSR (including day-ahead demand elasticity) should be more robustly considered.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. The current TSOs' proposal for the simulation of short-term welfare effects seems to highly depend on the difference between the costs of scheduling generation (and residually demand) units in day-ahead markets and the costs of (re)scheduling generation (and residually demand) units in the re-dispatching timeframe. Some					

assumptions included in the Proposal such as considering full cross-zonal coordination for re-dispatching or the insufficient consideration of the difference between the costs incurred in day-ahead and the re-dispatching timeframe may lead to conclude that all alternative bidding zone configurations deliver the same short-term welfare results as the status quo configuration. Such strong assumptions should be revised and aligned with the envisaged reality for the time horizon of the study as much as possible.



1.3.2. Please detail below which aspects of the Proposal adequately ensure the bidding zone review to be conclusive and **should therefore be retained** in the final methodology.

1.3.3. Please detail below which aspects of the Proposal prevent the bidding zone review from being conclusive and **should therefore be amended** in the final methodology.

1.3.4. How do you think that the inclusion of experts' views should be organised and could help ensure a conclusive bidding zone review?

1.3.5 Please specify how specific the final recommendation of the TSOs should be:

- TSOs should specify whether the bidding zone configuration should be maintained or changed and in case of the latter, specify their preference for one alternative bidding zone configuration.
- TSOs should specify whether the bidding zone configuration should be maintained or changed and then present a number of possible options, highlighting the benefits and shortcomings of different options, subject to the considerations of other aspects (e.g. implementation timeline, minimum 'lifetime' of the alternative bidding zone configuration to ensure the benefits exceed the transitional costs, measures to mitigate certain impacts, etc.).
- Other possible ways of presenting the final recommendation.

Please specify

1.3.6. Please add any comment on the topic of ensuring a conclusive bidding zone review, which adequately supports the decision making process.

2. Definition of alternative Bidding Zone configurations

The definition of alternative bidding zone configurations to the existing ones has proven a difficult aspect of the Proposal. In particular, the Proposal does not include any alternative bidding zone configuration for Central Europe.

2.1 According to the Article 14(1) of Regulation (EU) 2019/943, “*Bidding zone borders shall be based on long-term, structural congestions in the transmission network.*” Moreover, the same article mentions that “*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.*”

In order to delineate bidding zones, there are at least two possible approaches. A first approach is a top down (expert-based) one, whereby experts propose alternative bidding zone delineations, which could potentially yield more efficient outcomes than the current bidding zone configuration (the status quo). A second approach is a bottom up one (model-based) where locational marginal pricing (LMP) simulations are performed with a view to clustering nodes (e.g. based on similar marginal prices) into bidding zones. TSOs informed ACER that persisting problems with data input and modelling impede the possibility of using model-based approaches for the upcoming bidding zone review.

Given the above and the difficult to reach agreements, configurations were not submitted for several regions, including regions where structural congestions persist. In view of this, an expert-based approach (possibly supported by some elements of modelling) seems the main option available to propose bidding zone configurations for the upcoming bidding zone review. In the absence of a model-based option, ACER believes that some quantitative aspects should still be considered when considering alternative bidding zones, namely:

- An identification of the network elements, which are more frequently congested and lead to costly remedial actions the most.
- An identification of the geographical areas (bidding zones) which contribute the most to congestion on network elements. These areas could be a bidding zone where the congested element is located (in case of congestions caused by internal exchanges mainly) or other bidding zone (in the case of loop flows).
- (If available), a LMP simulation to support the expert-based delineation of bidding zones (e.g. to confirm, refine and/or prioritise the delineation of the previously defined expert-based configurations).

Please provide your views on the relevance of the above-proposed principles, which aim to support an expert-based delineation process.

2.2 The Proposal envisages a locational marginal pricing (LMP) simulation as an optional element of the bidding zone review.

2.2.1 Should a LMP simulation be a mandatory element of this bidding zone review?

- Yes
- No

2.2.2 Should a LMP simulation be used as an input for proposing alternative bidding zone configurations?

- Yes
- No

2.2.3 If so, how do you think a LMP simulation can be used to support the proposal of alternative bidding zone configurations?

- It should be used to support the expert-based approach to delineate bidding zone configurations (i.e. the expert and model-based approach should complement each other).
- It should be used as the main element to delineate bidding zone configurations together with techniques for clustering nodes into alternative bidding zones (i.e. a purely model-based approach should be used).
- Other

Please specify

2.2.4 Please indicate other possible benefits of including a mandatory LMP simulation during the bidding zone review

2.3 When proposing bidding zone configurations, do you see the need to ensure that the incremental effects of combined bidding zone configurations are identified (see the example below)? Please, provide your views on possible pros and cons of such an approach.

In the following example, from three existing bidding zones A, B and C, experts assess the split of a bidding zone “A” into bidding zones “A1” and “A2”, as well as the merger of bidding zones B and C. To assess potential incremental effects, the following three alternative configurations should be analysed:

1. Split into A1 and A2 only
2. Merger of B and C only
3. Split into A1 and A2 in combination with the merger of B and C

2.4 Which other criteria should in your view be considered when proposing alternative bidding zone configurations?

Conclusion

3. Please provide any further comment

