

WEBINAR – BZ methodology assumptions and configurations 21st October 2019

Received questions from stakeholders during and after the webinar

| Question | Answer |
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| Q1: What are the exact reasons for regulators to treat information as confidential? | <p>Some information is considered as ‘sensitive critical infrastructure protection related information’, as defined under article 2 (d) of Council Directive 2008/114/EC¹. In this regard, and in compliance with certain national legislation transposing Directive 2008/114/EC of 8 December 2008 on the identification and designation of European critical infrastructures and the assessment of the need to improve their protection.</p> <p>The electrical network information for numerous countries is treated as confidential and shall, not be disclosed or made available to the public.</p> <p>Also, Article 13(4) of the CACM Regulation states that:</p> <p><i>“Without prejudice to cases covered by national law, regulatory authorities, bodies or persons which receive confidential information pursuant to this regulation may use it only for the purpose of the performance of their functions under this Regulation.</i></p> |
| Q2: How were regions defined? | <p>The BZRRs were mainly defined according to the principle that a group of bidding zones should be in the same BZRR if an expected reconfiguration of a bidding zone in the group would have a significant impact on another (or more) bidding zone(s) in the group. If no impact is expected, the bidding zones can be in different BZRRs.</p> <p>The assessment of the TSOs is that typically a strong interaction is expected within a meshed AC network, and therefore the different synchronous areas (Nordic, Continental Europe, GB, Ireland) were deemed a proper basis to define BZRRs. For continental Europe, the region was decreased because of the following reasons:</p> <ul style="list-style-type: none">• Italy: As explained in the annex to the explanatory |

¹ [COUNCIL DIRECTIVE 2008/114/EC of 8 December 2008 on the identification and designation of European critical infrastructures and the assessment of the need to improve their protection](#)

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| | <p>document for Italy, Italy has recently amended its bidding zones. It, therefore, sees no reasons to study alternative bidding zones. The IT1 zone (North Italy) was however included to the Continental Europe region to properly capture interactions with the neighboring northern regions.</p> <ul style="list-style-type: none"> • Iberian Peninsula: As explained in the annex to the explanatory document for Spain, for this area the TSOs deemed that there is little influence on the other areas of continental Europe due to a limited amount of interconnection and radial system structure. • South East Europe: Due to the regional specificities and in order to simplify the modelling for CORE and SEE region, it was decided to separate also SEE region. |
| Q3: is a merger possible with the principle of maintaining political borders? | Yes, hence the merge of Austria and Germany was considered as a possible configuration. For the expert based configurations the overall possibilities are splitting or merging, but not splitting and merging within the same regional configuration. |
| Q4: On slide 6 and the common discussion to coordinate different recommendations for reconfigurations, does it also include coordination between the different BZRRs? | No, the coordination took place within each BZRR separately. |
| Q5: When/How are the different regional approaches reconciled? | The TSOs decided that it is the responsibility for each BZRR to come up with a proposal for alternative configurations according to the possibilities as shown on slide 5. No additional reconciliation on the basis of the individually proposed configurations by the BZRRs took place. |
| Q6: Do you have a benchmark year to assess the relevance of the modelling (backtesting)? | It is very likely that backtesting will be done to ensure the reliability of the modelling chain. A benchmark year, or a methodology to do so has not yet been determined. |
| Q7: Are FB recalculations after day ahead considered in this analyses? | Only the day ahead timeframe is considered for capacity calculation as well as for market simulation. |
| Q8: Will you also model allocation constraints in capacity calculation? | If the allocation constraints refer to temperature-induced or because of bilateral contracts for capacity, they would not be modelled. The 70% restrictions will be taken into consideration. |
| Q9: How are NTC calculated in the TYNDP? I thought it would be based on PTDF... | NTCs are agreed by the interconnected countries. The underlying methodology to define the yearly/hourly NTC values can be based on PTDFs, but not restricted to this. |
| Q10: will you also consider countertrading as a remedial action? | No, the redispatch simulation solves the overloads by redispatching the European generation fleet. Considering that redispatch can be crossing any border, countertrading is not necessary. |

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| Q11: Are FACTS applications considered on non-costly remedial actions? | Non-costly remedial actions will only include: <ul style="list-style-type: none"> - PST tap changes - HVDC flow control - Switching states of circuit breakers |
| Q12: Within the criteria, will you consider the cost of contracting balancing reserves... which seems higher in small BZs... | The study will incorporate an assessment of impact on the balancing needs based on a probabilistic approach taking into account various uncertainties (see 13.4.15 of the proposed methodology). This probabilistic model will capture the fact that most probably there is higher total need for reserves when considering smaller bidding zones. Whether costs for balancing will be higher for smaller bidding zones strongly depends on choices in the way the bidding zone split will be executed regarding LFC blocks and LFC areas. These choices will not be made within in the bidding zone review and therefore the differences in balancing costs cannot be modelled. |
| Q13: Regarding the evaluation referred to in slides 22/23, could you elaborate on which criteria from articles 13.1/13.2/13.4 in the methodology are mandatory for the assessment (step 1), and which are optional (step 2)? | All criteria mentioned in the methodology are mandatory to assess for all BZRRs. However, if a configuration has a <i>negative</i> monetized benefit, it does not necessarily need to be assessed according to the criteria other than economic efficiency and transition/transaction costs (see article 13.2.8). |
| Q14: When are the configuration per regions due? What is the governance? | The alternative configurations per BZRR have been provided in the methodology, assumptions and configurations submitted by the TSOs for approval on October 5 th 2019. The BZRRs that have not provided alternative configuration have provided a justification for it. It is now up to the NRAs to decide whether the proposal submitted by the TSOs is acceptable or whether it should be escalated to ACER. <ul style="list-style-type: none"> - The governance for the bidding zone review is currently under discussion among the TSOs. |
| Q15: What is the guidance for the modelisation of the non costly RA (you list several options -> who decides at the end)? | The TSOs of each BZRR decide which option(s) is (are) most suited. |
| Q16: On slide 25, how do you intend to assess economic efficiency quantitatively if you analyse firmness cost, market liquidity, competition etc. qualitatively? Those elements actually are the basis of the economic efficiency analys. | The assessment of economic efficiency will be done by calculating market and redispatch costs. Since aspects like firmness costs, market liquidity, etc. cannot be captured by model simulations, these have to be assessed separately. |
| Q17: When will the recommendations be made? | According to article 14(6) of the Regulation (EU) 2019/943, the TSOs participating in the bidding zone review shall submit a joint proposal to amend or maintained the bidding zone configuration no later than 12 months after the approval of the methodology and assumptions. |
| Q18: With regard to slides 30/31, does the decision of CE TSOs not to study any alternative scenario preclude individual TSOs | The BZRR CE TSOs did not decide not to study alternative bidding zone configurations but could not conclude on a set of configurations to propose to be |

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| <p>from launching a local BZ review, after agreement of their NRA?</p> | <p>assessed in the BZ review process. As a consequence, the BZRR CE TSOs decided to provide NRAs, <u>for information</u>, an overview of the alternative configurations and justifications as determined by the individual TSOs, as well as the reasons that have led to the non provision of alternative configurations for Central Europe.</p> |
| <p>Q19: From the documentation published it seems that some configurations have been proposed for CEE (Netherlands and Germany especially). This doesn't seem consistent with what has been said during the webinar. Did I miss something?</p> | <p>It is now up to NRAs (and potentially to ACER or the EU commission) to decide on the final alternative configurations to be studied in the BZ Review process for the BZRR CE.</p> <p>The BZRR CE TSOs did not assess whether this would preclude individual TSOs from launching a BZ review individually after agreement of their NRAs.</p> |
| <p>Q20: Regarding the Iberian peninsula (slide 39), where the report mentions no significant congestion in the peninsula or at the PT-ES border, what is the justification for not looking at a PT-ES merger scenario?</p> | <p>In accordance with Article 14, bidding zones may be reviewed where structural congestions have been identified. As neither Spanish bidding zone nor Portuguese bidding zone contain internal structural congestion, Iberian Peninsula TSOs have recommended the Status Quo.</p> |
| <p>Q21: does exist the official statistics of internal congestions per country?</p> | <p>The <u>ENTSO-E Bidding Zone Technical Report</u> provides transparent and factual information for the whole EU on congestions, flows scheduled outside the market and costs of these congestions for the years 2015 to 2017. This technical report is the regular reporting on current bidding zone configuration by ENTSO-E according to Article 34(1)(a) of GL CACM, including a list of structural congestions and other major physical congestions, including locations and frequency.</p> |
| <p>Q22: will the final assessment be done per region ?</p> | <p>The TSOs have not yet decided on the final organizational setup for the execution of the bidding zone review. As presented on slide 10, the current assumption is that the bidding zone review will be carried out on a regional level meaning that each BZRR will performed its own bidding zone review based on a common methodology.</p> <p>However, it could be that some activities are identified which can more efficiently be performed on an all-TSO level instead of BZRR level (e.g. evaluation of some indicators which can be done independent from the modelling chain). In such a case, it might be decided to perform these activities on all-TSO level.</p> |
| <p>Q23: Can other configurations (on the top of the 3 changes proposed in Austria/Germany/NL) being proposed later by NRAs and/or ACER/EU ?</p> | <p>Even though some TSOs of the CE BZRR initially provided alternative configurations for their grid, the CE BZRR has not managed to conclude on a set of alternative configurations to be proposed for</p> |

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| | <p>investigation in the bidding zone review process (see also answer to question Q18 and Q19).</p> <p>If the NRAs consider that this is acceptable and approve the methodology, assumptions and configurations provided by the TSOs as is, there will not be any alternative configurations for the CE BZRR and consequently no bidding zone review in this region.</p> <p>If this is not the case, the methodology will be escalated to ACER and ACER will then be in the position to impose the final alternative configurations to be studied in the BZ Review process for the BZRR CE. These configurations could be the same as the configurations initially suggested by some of the CE TSOs but can also be different than the ones initially suggested by the TSOs.</p> <p>Note that, in case all NRAs cannot agree on the BZ review methodology, assumptions and configurations, the decision will be escalated to ACER. In this case, ACER may decide on the methodology and on the final configurations to be studied for all BZRRs. In this case, ACER may impose additional configurations for all BZRRs.</p> |
| <p>Q24: Shouldn't opportunity costs be included in the calculations.</p> | <p>Regarding redispatch, opportunity costs may be considered in applied mark-ups. However, opportunity costs will not be considered in the welfare calculations as it concerns a redistribution of welfare rather than physical costs.</p> |
| <p>Q25: In the market modelling, how do you propose to account for the impact of the bidding zones on the locations of generators in the future? I would expect that splitting the German bidding zone might lead to a significant change in the distribution of both German and other power stations. Is this accounted for?</p> | <p>The proposed frame for the quantitative assessment is the base year, and possibly alternative target years. It therefore does not include the long-term effects on investment caused by a bidding zone amendment. These effects will, however, be studied qualitatively.</p> |
| <p>Q26: Who will be doing the modelling for the study</p> | <p>The TSOs have not yet decided on the final organizational setup for the execution of the bidding zone review, and whether to execute the modelling fully by themselves or with the help of (a) consultant(s).</p> |