



Eurelectric's preliminary opinion on the modelling methodology under development for the BZR

MESC meeting 17/09/2019

*DISCLAIMER : This presentation reflects solely a preliminary opinion, as the particular methodology is currently under development, and does not necessarily bind in any form the final opinion of Eurelectric



Why not to opt for a regional governance & regional analysis (1/2)

- Overall spirit of EU Reg. 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;
- Art.14.1. Member States shall take all appropriate measures to address congestions. Bidding zone borders shall be based on long-term, structural congestions in the transmission network. Bidding zones shall not contain such structural congestions unless they have no impact on neighbouring bidding zones, or, as a temporary exemption, their impact on neighbouring bidding zones is mitigated through the use of remedial actions and those structural congestions do not lead to reductions of cross-zonal trading capacity in accordance with the requirements of Article 16. 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, in accordance with the capacity allocation and congestion management guideline adopted on the basis of Article 18(5) of Regulation (EC) No 714/2009. Current bidding zones shall be assessed on the basis of their ability to create a reliable market environment, including for flexible generation and load capacity, which is crucial to avoiding grid bottlenecks, balancing electricity demand and supply, securing the long-term security of investments in network infrastructure.
- A regional approach with both elements of regional governance and regional analysis in isolation (inter-alia non coordinated), does not reflect nor is line with a pan-European system that is interconnected, and does not capture thus the potentially impactful implications of changes in one region, to other regions. At the same time, it is not coordinated and thus not sufficiently coherent or consistent.
- Such an approach hence does not seem to meet legal requirements and is likely to yield sub-optimal and non-conclusive results once again;

Why not to opt for a regional governance & regional analysis (2/2)

- **Implementation solely and strictly at regional (e.g. CCR level) is explicitly mentioned in respective CACM, FCA, EBGL regulations, for some methodologies. This is not the case in this regulation, in the letter of the regulation itself, for the BZR;**
- **Such an approach, creates difficulties to market participants, as they will need to address all the different regions, separately;**
- **Adds complexity to an already complex setup with many CCRs for many methodologies and aspects, which is enhanced even more by the fact that the proposed regions will not necessarily be the CCRs in all cases;**

Our proposal in highlights

- **Central governance with central decision making only, for the analysis and study, clearly and explicitly defined; ENTSO-E naturally shall have this role for all EU/relevant TSOs' proposals/input;**
- **Pan-EU modelling* should be used at first. In the absence of the CGM fully up and running, TYNDP**, as an existing pan-European model should be considered, with possible tailoring/fine-tuning, as means to meet the requirements for the identification of structural congestions taking into account progress on infrastructure development projects (Art.14.3 & 5). Thus use both the data and the model itself. Back-testing could therefore also be ensured given the existence of data;**
- **Derive expert-based scenarios having the results from the TYNDP model-based approach;**
 - **Consideration of individual splits and merges should be amongst the different options*;**
 - **Smaller in amount changes in BZs could potentially yield more increase in overall social welfare;**
 - **Consider REMIT data as much as possible for the analysis of the different evaluation criteria.**
- **Enhanced stakeholder involvement* (not just updates or provision of information) is a must and should be the case throughout the entire BZR process, including the modelling methodology (Art.14.3 & 5 in combination).**

* ([https://docstore.entsoe.eu/Documents/News/bz-review/2018-03 First Edition of the Bidding Zone Review.pdf](https://docstore.entsoe.eu/Documents/News/bz-review/2018-03%20First%20Edition%20of%20the%20Bidding%20Zone%20Review.pdf), pages 124, 125)

** ([https://docstore.entsoe.eu/Documents/News/bz-review/2018-03 First Edition of the Bidding Zone Review.pdf](https://docstore.entsoe.eu/Documents/News/bz-review/2018-03%20First%20Edition%20of%20the%20Bidding%20Zone%20Review.pdf), e.g. page 27, fig. 4.10)

Last but certainly not least

- **Changes or no changes in the BZs' configuration have large implications;**
- **The modelling methodology constitutes the basis, and it is the basis that matters most;**
- **Thus it should not be under pressure;**
- **It is not about having any solution! It is about having the right solution!**

Thank you for your attention!



Follow us on twitter
@eurelectric



www.eurelectric.org

eurelectric

