

**ACER**



Agency for the Cooperation  
of Energy Regulators



# **STUDY ON A METHODOLOGY TO ESTIMATE THE IMPACT OF A BIDDING ZONE RECONFIGURATION ON MARKET LIQUIDITY AND TRANSACTION COSTS**

**ACER**

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## Background

- Stakeholders mention market liquidity (in particular in forward markets) as a key aspect to consider when performing a BZ review.
- The current BZ review methodology proposed by ENTSO-E focuses only on day-ahead markets when assessing liquidity.

## High-level objectives of the study

- Gain insight into market liquidity/transaction costs and related key metrics.
- Potentially use this knowledge in the context of the BZ review methodology.

## Specific requests/questions posed in the ToRs

- From a theoretical point of view, what may be the impact of a bidding zone reconfiguration on i) market liquidity and ii) on transaction costs?
- An analysis and a conclusion on whether the above described impact can be considered as i) a (social) welfare gain (or loss), ii) welfare redistribution or iii) none of them.
- Suggesting relevant analysis and indicators that should be used when assessing the above issues in a BZ review context

*Note: The work is purely methodological; quantitative analysis not requested for this study.*

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