

ENTSO-E Bidding Zone Review Consultative Group (BZR CG) online meeting: BZR study status update and indicator assessment

Date: Wednesday, 14 December 2022
 Time: 1pm-4pm
 Location: Online conference (Microsoft Teams)

Minutes of the Meeting

1. Welcome and introduction of the BZR CG members

BZ TF convenor welcomes the BZR CG members, Bidding Zone Review Region (BZRR) members, pan-EU studies leads as well as Bidding Zone Task Force (BZ TF) representatives. She presents the agenda for the meeting and proceed with the first point to be discussed.

2. Pan-EU studies

2.1. Market liquidity and transaction cost: data collection status update

Study lead provides an overview of the feedback provided by the BZR CG members in the early stage of the study, and focuses on the data collection aspect. The lead explains the critical points outlined by the BZR CG members and the challenges faced by the TSOs in the data collection process. They also provide an update on which data has been collected, which data is mandatory to be collected for the study, and which data is to be collected for additional analyses as requested by the BZR CG members.

The lead gives an update on the data providers for the three market time-frames: (1) day-ahead, (2) intra-day, and (3) forward markets. Overview of which data will be considered for each market time-frame is available in the slide deck accompanied with the meeting.

BZR CG members ask specific questions (see table below).

Question	Answer
Why is bid-ask spread collected from a third-party data provider?	Data obtained from the third-party data provider (i.e. ICE) is a primarily-owned data by the power exchanges (in this case, EEX and NASDAQ). ICE provides historical data that could not be collected from EEX and NASDAQ.
What does the cross (X) mean in the table outlining the data availability?	The cross (X) indicates not sufficient level of data is available to the TSOs to perform the particular analysis. The items marked with X will not be studied.

Why is it stated that B/A spread data are not available to TSOs since NEMOs have provided them to ACER?	We should differentiate between REMIT and Market Monitoring data provided by the NEMOs to ACER; TSOs could not obtain REMIT data (which includes bid-ask spreads) due to confidentiality and security issues within REMIT department in ACER. ACER will provide the TSOs with the data they gathered for the MMR (volumes with an hourly granularity).
Will OTC and bilateral trading be included in the analysis?	TSOs are investigated which data can be provided for these markets as well and what kind of analysis could be performed.

Additionally, the following remarks have been made:

- Eurelectric considers that ID and forward market data are more relevant to assess market liquidity than DA data since market are coupled in day-ahead. This remark is supported by EFET.
- Eurelectric is skeptical on the need to assess intra company transaction and does not consider it in scope of market liquidity study.

2.2. Transition costs: questionnaire results update

The contracted consultant for the pan-EU studies presents a general overview of the answers received (i.e. data existence) on the transition costs study questionnaire. Overall 24 companies/organisations participated in the questionnaire. There are no responses from Ministries/NRAs, clearing houses, aggregators, and retailers and large-scale industrial consumers. For the organisations that responded, there is little or no variation in the estimated cost data. Most responses were given for the proposed BZ reconfigurations in Germany and Sweden, and less for the Netherlands, Italy and France. The consultant outlines the groups for which cost estimates and the respective level of certainty can be made. There are no specific conclusions drawn yet, as data is still in an early stage of assessment.

BZR CG members ask specific questions (see table below).

Question	Answer
Cost data should be representative for all the stakeholders and market participants. There seem to be weaknesses to conclude based on the current data available.	TSOs are assessing options on how to improve the quality of the data collection. One of the option on the table would be to prepare a second more simplified questionnaire and combined it with interviews of a sample of stakeholders for which the response rate is currently rather low.
Can the answers to the questionnaire be shared with the BZR CG?	This is not possible due to the sensitivity of some information included in the questionnaire. A confidentiality clause is included in the questionnaire for that purpose.
Is intra-company transaction data included in the analysis?	This is not considered at the moment. Responses to this question are minimal, however, no final answer can be given.

3. Indicators to be assessed in the BZR

CE BZRR presents the background and scope of the indicators to be assessed in the BZR. A presentation on the indicators was requested by the BZR CG members in the previous meeting. They also outline the CE and

Nordic BZRR tool chains used for the computation and modelling analysis used by CE and Nordic TSOs, respectively.

He explains the process and steps used for the assessment of the indicators as defined in the BZR Methodology. They also outline the 22 indicators to be assessed by the TSOs. **TSOs are willing to collect specific questions on the indicators from the BZR CG members by 16 January 2022, the latest.**

CE BZRR provides an overview of which indicators are being assessed by the BZRRs, providing justification for why these are/are not assessed.

BZR CG members ask specific questions (see table below).

Question	Answer
Will there be transparency on the total buy/sell per BZ, BZ prices and scheduled total SDAC hourly flow between BZs in the different simulated configurations? It seems key to enable market parties (and NRAs) to analyse the level of market and system efficiency given by the different alternatives.	The output data will be published according to the bidding zone review methodology in particular its article 16 and its annex Ia.
ACER: About the second indicator (security of supply), it is important to note that the BZR methodology allows for concluding that all alternative BZ configurations perform the same as status quo with respect to this indicator, until the modelling tools to estimate this indicator in a quantitative way are developed.	/
Market concentration: HHI does not seem to be correct to assess market concentration since it does not take cross-border capacity into account	TSOs confirm that cross-border capacities are taken into account in the evaluation of HHI.
Price signal for building infrastructure: investments in such assets should maximise the overall social welfare regardless of the BZ configuration.	This indicator is for assessing the efficiency of the configuration, whether it would provide better price signals for such investments or not. ACER indicates that the intention is indeed to capture how much DA prices capture the value of congestion as a signal to build infrastructure.
Are all quantitative indicators taken into account in step 1?	TSOs indicate that only monetized indicators are considered in step 1. In step 2, all other indicators are considered be it quantitative or qualitative indicators.
Could TSOs provide an overview of which indicator are taken into account in which step of the evaluation process?	Yes this information can be provided in next meeting.

4. BZR timeline: six-month delay

CE BZRR provides an update of the BZR timeline, and focuses on the six additional months TSOs are requesting to ACER for a delay in the BZR process. Additions in ACER's decision on alternative BZ configurations and modelling complexity experienced by the BZRRs are the main reasons TSOs are requesting

the delay. They explain the visual representation of the two-step approach as outlined in ACER’s decision and the effects it has on the steps for analysing the indicators and overall process. The convenor also outlines potential benefits of the six additional months to perform the BZR study, such as:

- BZRR Nordic will perform an additional sensitivity on the influence of dry years,
- Additional consultation on preliminary results that can be launched after the public consultation
- Increase in the scope of the market liquidity study (current under assessment) by adding additional years after feedback from ACER, NRAs and BZR CG members was provided, and
- Delay in the start of the public consultation to May, which allows TSOs to include a two-week alignment with ACER and NRAs on the preliminary report on pan-EU studies.

BZ TF convenor outlines that this request has been presented to ACER and NRAs; however, would like to clarify for the BZR CG members that this is under review by ACER and NRAs. They also outline that even though the six additional months provide a buffer, the overall timeline is relatively tight.

BZR CG members ask specific questions (see table below).

Question	Answer
What will be the scope of the public consultation in May?	The public consultation in May will be done according to the BZR methodology and mainly focus on the pan EU studies.
Will the final BZR report be delivered later in December 2023 due to the time extension?	The report will now be delivered in February 2024 (as shown in the timeline).
Will there be an additional public consultation?	No but TSOs intend to share preliminary results with the BZR CG when available

5. Public consultation: update

Group lead reverts back to the feedback given by the BZR CG members to include additional points in the public consultation; however, they re-iterate that TSOs are willing to consider proposal from the members, primarily in line with the categories set by the BZR Methodology. Proposals outside these categories might not be analysed but accounted for in an annex. TSOs also intend to share the draft of the questionnaire with the consultative group and ACER for comments prior to the launch of the public consultation (which is envisaged for May 2023).

BZR CG members ask specific questions (see table below).

Question	Answer
Will the 22 indicators be consulted during the public consultation?	No since the scope of the public consultation is primarily on the pan-EU studies according to the BZR methodology.

6. Updates from the regions

6.1. BZRR CE: fallback configurations for Germany

An expert from the BZRR CE provides the background information that led to the selection of the fallback configurations for Germany. They then explain the default and fallback configurations, the similarities and

differences between them. The expert provides an explanation of *The Ruhr area* which is known as the largest urban area in Germany as it is a critical point in the decision of selecting the fallback configurations.

They then provide an overview of the official communication between German TSOs and ACER on the possible options in the process of defining the alternative BZ reconfigurations. The outcome of the simplified analysis for the Amprion grid is explained, step by step, concluding that alternative configurations to be evaluated should be practically implementable; however issues are detected in the default configurations 1, 3 and 4. Therefore, CE TSOs are preparing for the application of the fallback configurations in the BZR.

BRZ CG members are welcome to provide comments on this specific topic until the end of 2022.

BZR CG members ask specific questions (see table below).

Question	Answer
What is meant by BZR Fallback Configurations for Germany?	Default and fallback configurations for Germany are defined in the ACER decision 11/2022 on alternative BZ configurations. Applying the fallback configurations would mean that the alternative configurations with the IDs 1, 3 and 4 will not be analysed in the BZR but instead the configurations with the IDs 14 (replacement for ID1), 12 (replacement for ID3) and 13 (replacement for ID4). The default configuration with the ID 2 will be evaluated in any case.
Has the decision to apply the fallback configurations already been made?	BZRR CE TSOs have the intention to apply the fallback configurations but since this is not a decision taken lightly, TSOs wanted to share the intention first with the CG and ACER/NRAs before making a firm decision.
Will this decision imply additional delay?	Since the intention is to go for the fallback, BZRR CE TSOs are preparing for this and it should not lead to additional delay.

6.2. CE BZRR: update

CE BZRR provides an update on grid models and modelling chain used by CE TSOs CE is facing computational challenges, as outlined in the previous BZR CG meeting. Some solution directions were also presented in the previous BZR CG meeting, and the convenor refers back to these. The main improvements made are on: (1) the remedial actions optimisation (RAO), and (2) hardware (memory was increased by factor 12 to speed up the calculations).

No questions are asked on this topic.

6.3. Nordic BZRR: update

Nordic BZRR convenor provides update on the modelling, values from the LMP study, and input data, respectively. They highlight that modelling optimisation and improvements are made to allow for first simulation of base scenario – however, these are still on-going. The convenor highlights that the datasets regarding Nordic grid data (CGMs and CNECs) are confidential with very high protection values and some country’s legislation does not allow the publication of grid data. Therefore, publishing and sharing with the public a common Nordic grid model is not possible, as if one country’s legislation does not allow for this publication.

No questions were asked on this topic.

7. Next steps and general Q&A:

BZ TF convenor thanks everyone for their participation in the BZR CG meeting. The convenor proposes the next BZR CG meeting to take place one week before next MESC meeting; however, the date will be confirmed after internal alignment.

They open the floor for general question and answer (Q&A) session.

BZR CG members ask specific questions (see table below).

Question	Answer
<p>Nodal data published in the framework of the LMP study: market participants could not assess some nodes as these were anonymized. Could you provide an update on why this is the case?</p>	<p>Anonymized version of the nodes was published due to confidentiality and security constraints. Market participants can send an e-mail to ENTSO-E to ask for more detailed clarification.</p> <p>The input BZR data was published on 8 December 2022 following the same confidentiality rules as for the LMP data.</p>