

Comments to the ACER-consultation of the bidding zone review 2020

The German Ministry for Economic Affairs and Energy ('the Ministry') welcomes the consultation of the bidding zone review by ACER.

Defining bidding zones for the electricity market is a highly sensitive decision with strong impacts on national electricity market policies. The Electricity Market Regulation (EU) 2019/943 therefore allows Member States to decide on their own on the configuration of their respective bidding zone as long as the provisions regarding minimum available interconnection capacity are not violated.

The bidding zone review according to Art. 14 of Regulation 2019/943 and Art. 32-34 of Regulation 2015/1222 analyses congestions, reviews the current and alternative bidding zone configurations, and is expected to make recommendations on whether to maintain or amend the bidding zone configurations. Although not formally binding, the methodological approach chosen and the derived outcomes can be expected to be widely received and used for political discussions. It is therefore essential to decide on a methodological approach that has been widely consented among Member States.

While the Ministry provided some of its views via the online-questionnaire, it would also like to take the opportunity to highlight the following key messages.

- The ACER questionnaire asks several questions on the pan-European consistency of the methods. Art. 14 (3) of Regulation 2019/943 explicitly calls for a European-wide coordinated analysis. From the Ministry's perspective, this legal requirement provides for a maximum degree of European-wide methodological consistency. This entails that the criteria for identifying alternative splits or mergers of bidding zones should not only be based on scientific reasoning and be fully transparent, but also applied equally to whole Europe. All Member States should therefore be analysed in the same way, based on the scientific criteria mentioned above. Germany's willingness to put its bidding zone under scrutiny has clearly been demonstrated by the German TSOs' proposals for alternative bidding zone configurations that are documented in the explanatory appendix of the methodological proposal.

- Regarding the selection and weighting of criteria to be applied for the bidding zone review, the Ministry would like to highlight that Art. 33 of Regulation 2015/1222 contains a legally binding list of minimum criteria that all need to be taken into account on equal footing when drawing conclusions. A weighting between specific criteria is not foreseen. This remains true for all criteria, irrespectively of whether they are perceived as being quantifiable (i.e. can be monetarised) or not. To reflect European climate and energy goals, however, the Ministry would like to call for expanding the list of criteria by adding indicators such as greenhouse gas emission effect and the ability of markets to integrate large shares of RES.
- The Ministry would also like to highlight that numerous activities and processes are currently ongoing across Europe that aim to reduce structural congestions in the grid. Most of these activities and processes also relate to European processes such as the implementation of action plans to meet the 70%-criteria in Art. 15 of the Regulation 2019/943, the further and accelerated grid expansion covered among others by the TYNDP-process, etc. All these activities and processes and their effects on the European electricity grid should be considered in the analysis of bidding zone configurations. It is therefore important to not only look at measures which will be in place in the year relevant for the analysis. Instead, the bidding zone review should assume a forward-looking perspective including measures which can be expected to be implemented in a relevant number of succeeding years. This particularly holds true against the background that adjustments of bidding zones will need years for proper legal and technical implementation and always imply significant transaction costs. Adjustments cannot be repeated in short time frames without compromising market stability.
- On a final note, the Ministry would like to emphasise its view that costs for redispatching as such are an incomplete measure for evaluating the efficiency of bidding zones configurations. While the costs for congestions are reflected in redispatching costs in larger bidding zones, they would in principle be shifted towards generation costs in case of smaller bidding zones. Whether the overall system costs are higher in the one or other approach will depend inter alia on the TSOs' efficiency of practically implementing redispatch and reimbursing affected units. In this sense, the Ministry advocates for focussing on system costs rather than redispatching costs when evaluating existing and alternative bidding zone configurations.

The Ministry is open to contribute any further explanations and welcomes further exchanges on the aforementioned views and the bidding zone review in general.