

ACER Opinion on the necessary developments for the fulfilment of the minimum cross-zonal capacity requirements: Annex I

For information only

Evaluation of responses to the public consultation on ACER's 2023 market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)

1 Introduction

On 21 July 2023, ACER published the report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT) (hereinafter, the 'Report'), as part of the 2023 Market Monitoring exercise. ACER launched a public consultation on 21 July 2023 inviting all interested stakeholders to provide comments on the Report. The closing date of the public consultation was 22 September 2023.

The objective of the consultation was to gather stakeholders' input that, in conjunction with the conclusions of the Report, would underpin ACER's formal Opinion to the European Commission and European Parliament on the necessary developments for the fulfilment of the minimum cross-zonal capacity requirements, and to support the continuous improvement of ACER's monitoring of cross-zonal capacities.

2 Responses and ACER's assessment of the responses

By the end of the consultation period, ACER received comments from 30 respondents. The unaltered responses are available on ACER's website.

This evaluation paper aggregates and summarises respondents' comments, and provides ACER's view on those comments, where relevant.

Respondents' views	ACER views
1. Capacity levels	
Question 1.1.1: To what extent do you agree with the conclusions illustrated in ACER's 2023 market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)?	
<p>20 respondents: 3 respondents strongly agree (CREG, IFIEC Europe, RAP), 8 respondents agree (E3G, Edison S.p.A., ELIA, Energiföretagen Sverige – Swedenergy, Green Power Denmark, Ørsted, Ei, TIWAG), 2 respondents are neutral (EFET, SEPS), 5 respondents disagree (50Hertz Transmission GmbH, Amprion GmbH, RWE Supply & Trading GmbH, TenneT TSO GmbH, TransnetBW GmbH), 2 respondents strongly disagree (BDEW; EEX).</p>	
Question 1.1.2: What changes would you suggest for future editions of ACER's cross-zonal capacity report?	
<p>25 respondents (50Hertz Transmission GmbH, Amprion GmbH, BDEW - German Association of Energy and Water Industries, CEZ,CREG,E3G,EDF,Edison S.p.A., EFET, ELIA, Energiföretagen Sverige - Swedenergy, ENTSO-E, Eurelectric, European Energy Exchange AG (EEX), Europex - Association of European Energy Exchanges, Green Power Denmark, Ørsted, Regulatory Assistance Project (RAP),RWE Supply & Trading GmbH, SEPS,Svenska kraftnät, TenneT TSO GmbH, TIWAG - Tiroler Wasserkraft AG, TransnetBW GmbH, UFE)</p>	
<p>Seven respondents wish to see a more nuanced approach regarding the scope of the report (BDEW, CEZ, EURELECTRIC, EDF, EEX, ENTSO-E, and UFE), with some expressing concerns that the report lacks balance and that it should consider a wider range of stakeholders' views, particularly regarding the feasibility of the 70% requirement (BDEW, CEZ, EURELECTRIC, EEX, EDF, and UFE).</p> <p>Several respondents commented on the consideration of transitional targets stemming from derogations and/or action plans in the report: Five respondents recommended monitoring solely against transitional targets rather than the minimum 70% requirement, arguing that benchmarking against 70% before 2026 does not provide relevant insights (50Hertz Transmission GmbH, Amprion GmbH, Transnet GmbH, TeneT TSO GmbH,</p>	<p>ACER welcomes the suggestions received by stakeholders and takes note of the responses from several respondents to further nuance the approach in further editions of the market monitoring report so as to present a more balanced view. ACER recalls that the market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal trade is not intended as an assessment on the TSO's compliance of the obligations derived from Article 16 of the Electricity Regulation, as that is the competence of national regulatory authorities, but rather intends to highlight barriers to cross-zonal trade and assess the progress in the</p>

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<p>and EEX). Four respondents suggested monitoring against both transitional targets and the end goal (EDF, EFET, EURELECTRIC, and UFE). Stakeholders highlighted that the report correctly distinguishes between progress towards the 70% requirement and compliance with transitory targets (CREG), while suggesting that the report could provide more visibility and insights on the derogation targets themselves (CREG, BDEW, CEZ).</p> <p>Seven respondents highlighted the need for ACER and ENTSO-E to produce a common message on 70% compliance to facilitate NRAs' surveillance (BDEW, EURELECTRIC, EDF, EFET, EUROPEX, Swedenergy, and UFE). One respondent proposed that ACER engage in a deep dialogue with TSOs to provide a more balanced overview (ENTSO-E).</p> <p>Multiple stakeholders suggested to expand the scope of the report beyond the day-ahead timeframe. Three respondents emphasized the importance of monitoring and reporting on the improvement of the availability of long-term capacities across the EU (CEZ, EDF, and UFE), with others suggesting ACER to start monitoring the margin of capacity made available for intraday trading (Green Power Denmark, Europex, and Orsted)</p> <p>Five respondents consider that the report should provide a thorough analysis of the welfare created by fulfilling the 70%, considering the costs from all measures needed to reach it, and to single out the most cost-efficient one (BDEW, EURELECTRIC, EDF, EDISON, UFE).</p> <p>One respondent recommended more pedagogy regarding basic concepts (RAP), while another suggested the inclusion of more case studies in the report (TIWAG).</p>	<p>maximization of cross-zonal capacities since the entry into force of the minimum 70% requirement. ACER considers that a pan-European monitoring exercise on the implementation of the minimum 70% requirement needs to be based on a common methodology for all Member States, so as to objectively measure progress and existing barriers, and that such monitoring exercise, and its accuracy, is heavily reliant on the access to correct and timely data. Moreover, contrary to what has been reported, ACER assesses both the performance of TSOs against the minimum 70% requirement and the transitional targets stemming from derogations and action plans.</p> <p>While conveying a common assessment with ENTSO-E may not be possible, due to the different mandates of the two entities and the different monitoring methodologies used by ACER and some TSOs, further collaboration is currently ongoing so as to align on input data and, where possible, on the main messages of upcoming reports. For that purpose, a joint technical workshop between ACER and ENTSO-E is foreseen.</p> <p>ACER agrees with the importance of monitoring cross-zonal capacities beyond the day-ahead timeframe and intends to gradually expand the scope of the report to assess the availability of cross-zonal capacities in the long-term and intraday timeframes.</p>
<p>Question 1.2.1: Based on the data presented in Chapter 1 of ACER's report, do you believe that the current development of cross-zonal capacities across the EU is sufficient to enable the integration of European electricity markets?</p>	

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<p>25 respondents:</p> <p>7 respondents answered 'Yes' (50Hertz Transmission GmbH; Amprion GmbH; BDEW - German Association of Energy and Water Industries; Edison S.p.A.; RWE Supply & Trading GmbH; TenneT TSO GmbH; TransnetBW GmbH),</p> <p>9 respondents answered 'No' (CEZ; CREG; Energiföretagen Sverige - Swedenergy; Europex - Association of European Energy Exchanges; Green Power Denmark; IFIEC Europe; Regulatory Assistance Project (RAP); SEPS; Swedish Energy Markets Inspectorate (Ei)),</p> <p>9 respondents did not provide an answer but clarified their position in writing.</p>	
<p>Five respondents consider that the progress in gradually increasing cross-zonal capacities is sufficient and in line with the legal framework, while clarifying that further investment is still needed to fulfil the minimum 70% requirement by 2026 (50 Hertz, Amprion GmbH, TransnetBW GmbH, TenneT TSO GmbH, and ENTSOE).</p> <p>Three respondents insist that market integration should not become the end-goal, in lieu of welfare maximisation, and suggests that the report include a transparent assessment of the welfare creation resulting from the 70% requirement (EURELECTRIC), and to present the trade-off between market integration and costs incurred in ensuring operational security (BDEW, EEX).</p> <p>Rather, two respondents call for future integration efforts to be customized to local specificities (Edison, RWE Supply & Trading GmbH). Three respondents suggest that these specificities should be better reflected in the analysis: EFET sees the overall goal of EU market integration as unclear and calls for a regional differentiation; TIWAG calls for an analysis at the level of countries; EURELECTRIC suggests three different groups of regions, from most compliant to least compliant with the target.</p> <p>One respondent wishes that the report includes a forward-looking implementation timeline underlining all measures to be fulfilled by TSOs, RCCs and NEMOs to enable the integration of European markets (ELIA).</p> <p>Five respondents acknowledge progress, but see challenges ahead: the current levels of capacity are not compatible with the energy transition and RES integration (CREG, Green Power Denmark, RAP), during crises, insufficient cross-zonal capacity contributes to price peaks (EUROPEX); there is a need for more efficient system operation so that</p>	<p>ACER agrees on the significant progress made in market integration over the last decade, although considers that a number of barriers to the maximization of cross-zonal capacities largely remain significant, such as the presence of excessive loop flows and the lack of coordinated processes to activate and share the cost of remedial actions, preventing progress towards a fully integrated internal market. The ambitions for the integration of renewable energy into the power system will require persistent efforts to increase cross-zonal capacities.</p> <p>Lastly, it is important to note that ACER's monitoring exercise currently does not intend to re-open the discussions that led to the introduction of the requirement in the Electricity Regulation, but rather to monitor the effects on the utilization of the network since its entry into force.</p>

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<p>limiting market allocations is not the default solution to ensuring operational security (Energiföretagen Sverige – Swedenergy).</p> <p>Three respondents, who did not assess the current level of cross zonal capacity to be sufficient nor insufficient, insist that the priority is for TSOs to maximise existing capacity to avoid overinvestment. They deem the low levels currently observed (e.g.20 % in CWE) not acceptable (EDF, UFE, EURELECTRIC) further, one respondent insisted that 70% is an absolute minimum and available capacity should be maximized in all timeframes and recalls that grid users pay for 100% of the capacity (IFIEC).</p> <p>Finally, three respondents question the overall exercise of assessing compliance with the 70% target considering the different status of implementation across the EU but point to the overall transparency over derogations and the respect of transitional targets being poor (CEZ, Orsted, EURELECTRIC).</p>	
<p>2. Trade margins</p>	
<p>Question 2.1.1: Considering the results of the monitoring exercise of 2022, do you believe that enough progress is being made across the EU to fulfil the 70% cross-zonal transmission capacity target by 2026?</p>	
<p>25 respondents:</p> <p>12 respondents answered ‘No’ (Green Power Denmark, IFIEC, CEZ, Edison, TIWAG, Ei, Swedenergy, CREG, Regulatory Assistance Project (RAP), SEPS, Orsted, Elia),</p> <p>7 respondents answered ‘Yes’ (50Hertz, Amprion, TransnetBW, BDEW, TenneT DE, RWE, EEX),</p> <p>6 respondents did not provide an answer but clarify their position in writing.</p>	
<p>Two respondents suggest that guaranteeing 70% MACZT on all CNECs for all MTUs shall not be the ultimate goal and instead should always be based on cost-benefit analysis (SEPS, Elia).</p> <p>Eight respondents argue that it is not straightforward to provide an answer to this question for all Member States, considering that the status of implementing the national action</p>	<p>Acknowledging that the status of implementation varies across the EU, ACER’s monitoring on the implementation of the minimum 70% requirement over the last years has shown uneven progress since its entry into force. The delay in implementing key processes, such as the capacity calculation</p>

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<p>plans and/or derogations differs vastly across Europe (Orsted, ENTSO-E, EFET, SvK, Europex, UFE, Eurelectric, EDF).</p> <p>Seven respondents refer to the progress of the implementation of the German action plan, stating that German TSOs have met the linear trajectory target in 2022 and continue to remove barriers to achieve the minimum 70% requirement by 2026 (50Hertz, Amprion, TransnetBW, BDEW, TenneT DE, RWE, EEX).</p> <p>One respondent highlights the lack of an adequate enforcement framework in the case that the cross-zonal capacity requirements are not met (Green Power Denmark).</p> <p>Two stakeholders refer to the importance of ensuring the minimum 70% requirement in the intraday timeframe, and for ACER and NRAs to monitor the availability of capacities in this timeframe (IFIEC, CREG).</p>	<p>methodologies and redispatching framework, has led to recurring derogations from the legal requirements in several Member States, while more structural solutions such as necessary investments in grid reinforcement and potential bidding zone reconfigurations are yet to materialise.</p> <p>Based on the current developments, and without further accelerating such structural solutions, ACER considers that the fulfilment of the minimum 70% requirement across the whole EU by 2026 is unlikely, which in turn could jeopardize the efforts invested in the integration of the electricity markets in the EU and thus the transition towards a carbon-neutral power system.</p>
<p>Question 2.2.1: In ACER's report, several elements are presented as critical limitations to the achievement of the 70% cross-zonal transmission capacity target. Please rank them by order of relevance, being 5 the most relevant.</p>	
<p>23 respondents (50Hertz Transmission GmbH; Amprion GmbH; BDEW - German Association of Energy and Water Industries; CEZ; CREG; EDF; Edison S.p.A.; EFET; ELIA; Energiföretagen Sverige - Swedenergy; ENTSO-E; Eurelectric; European Energy Exchange AG (EEX); Europex - Association of European Energy Exchanges; Green Power Denmark; IFIEC Europe; Ørsted; Regulatory Assistance Project (RAP); RWE Supply & Trading GmbH; SEPS; Svenska kraftnät; TenneT TSO GmbH; TIWAG - Tiroler Wasserkraft AG; TransnetBW GmbH; UFE)</p> <p>The average ranking provided by stakeholders to the different elements listed in this question are:</p> <ul style="list-style-type: none"> – Lack of a mechanism to share remedial actions costs: 2.7/5 – Lack of sufficient remedial actions: 3.1/5 – Suboptimal bidding zone configuration and resulting loop flows: 2.7/5 – Lack of sufficient grid developments: 4.2/5 – Unilateral capacity reductions applied by TSOs: 2.9/5 	
<p>Question 2.2.2: Do you see any other threat to the achievement of the 70% target?</p>	

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<p>24 respondents (Orsted, Green Power Denmark, Swedenergy, 50Hertz, Amprion, TransnetBW, TenneT DE, ENTSO-E, Elia, EDF, BDEW, EEX, UFE, Eurelectric, IFIEC, TIWAG, Ei, RWE).</p>	
<p>Four respondents cited the poor enforcement framework and/or regulatory oversight around the minimum cross-zonal capacity requirements (Orsted, Green Power Denmark, Swedenergy, CEZ).</p> <p>Six respondents argue that the availability of cross-zonal capacities is dependent on physical grid congestion, and question whether the optimal level of capacity lies at 70% for all CNECs and MTUs (50Hertz, Amprion, TransnetBW, TenneT DE, ENTSO-E, Elia).</p> <p>Five respondents clarify that the current bidding zone configuration cannot be considered a limitation to the fulfilment of the minimum 70% requirement, and that any reconfiguration may bring negative long-term effects which require careful assessment (EDF, BDEW, EEX, UFE, Eurelectric).</p> <p>Four respondents mention the lack of grid development as the main bottleneck in the fulfilment of the cross-zonal capacity requirements (IFIEC, TIWAG, Ei, RWE).</p> <p>Moreover, several respondents describe limitations to the 70% requirement that are included in the previous ranking question.</p>	<p>-</p>
<p>Question 2.2.3: What would be the key enabler(s) for reaching the 70% target by 2026?</p>	
<p>24 respondents (Orsted, Green Power Denmark, Swedenergy, 50Hertz, Amprion, TransnetBW, TenneT DE, ENTSO-E, Elia, EDF, BDEW, EEX, UFE, Eurelectric, IFIEC, TIWAG, Ei, RWE)</p>	
<p>Two respondents argue that a more effective enforcement framework around the minimum cross-zonal capacity requirements would enable progress towards meeting the minimum 70% requirement (Orsted, Green Power Denmark)</p> <p>A large share of respondents, consider the coordinated use of remedial actions and its cost sharing to be a critical element in the fulfilment of the minimum 70% requirement, and thus call for the implementation of the necessary processes (50Hertz, Amprion,</p>	<p>As highlighted throughout the text, ACER sees the need to pursue promptly all solutions that may enable the fulfilment of the minimum 70% requirement in the timeline defined by the Electricity Regulation, and to strike the right balance to ensure cost-efficiency.</p> <p>Namely, these are the implementation the methodologies for the optimal and coordinated use of remedial actions, the</p>

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<p>TransnetBW, TenneT DE, EDF, BDEW, TIWAG, ENTSO-E, Ei, SvK EEX, UFE, Eurelectric)</p> <p>Similarly, the strengthening of the grid infrastructure to solve internal congestions is cited by 12 stakeholders as necessary to advance towards the minimum 70% requirement (50Hertz, Amprion, TransnetBW, TenneT DE, BDEW, IFIEC, TIWAG, ENTSO-E, Ei, RWE, EEX, Europex)</p> <p>Three respondents mention the need for a successful bidding zone review (SvK, Swedenergy, RAP), with one respondent suggesting the introduction of nodal pricing as a potential alternative (RAP)</p> <p>Two respondents suggest the introduction of modelling improvements or different MACZT calculation approaches in ACER's monitoring (SEPS, Europex)</p>	<p>potential reconfiguration of bidding zones, and the acceleration of grid developments aimed at reducing internal congestion.</p> <p>The experienced delays in all the aforementioned processes could pose a risk to the EU's ability to uphold the principle of non-discrimination between internal and cross-zonal trade within the timeline defined in the Electricity Regulation.</p>
<p>Question 2.3.1: Have you been affected by unilateral capacity reductions, such as allocation constraints or individual validation adjustments?</p>	
<p>26 respondents:</p> <p>9 respondents answered 'Yes' (Edison S.p.A, SEPS, Orsted, IFIEC Europe, TIWAG, EFET, Swedish Energy Market Inspectorate (Ei), Energiforetagen Sverige – Swedenergy, CREG),</p> <p>2 respondents answered 'No' (Svenska Kraftnat, RWE Supply and Trading GmbH),</p> <p>13 respondents answered 'Not Applicable' (50Hertz Transmission GmbH, EDF, Green Power Denmark, BDEW, TenneT TSO GmbH, ENTSO-E, ELIA, European Energy Exchange AG, Europex, UFE, E3G, Eurelectric),</p> <p>2 respondents did not provide an answer but clarify their position in writing.</p>	
<p>Three respondents indicate that they are not affected directly, but reductions in cross-zonal capacities affect the optimal market outcome (RWE Supply and Trading GmbH, IFIEC Europe, TIWAG).</p> <p>2 respondents say that the current usage of allocation constraints and IVAs lead to significant restrictions to cross-zonal trade on a recurrent basis, and that they impact all zones in a flow-based market coupling (EFET, ELIA). Moreover, one respondent</p>	<p>-</p>

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<p>stresses that allocation constraints negatively impact market integration and coupling, and that it leads to welfare loss and higher grid costs for consumers (IFIEC Europe).</p> <p>One respondent argues that there should be a distinction between allocation constraints and IVAs. Allocation constraints are documented and applied in a transparent manner, allowing anticipation of market participants. IVAs are applied chaotic and lack clear explanations on implementation. The respondent calls for increased effort for IVA transparency (Eurelectric).</p>	
<p>Question 2.3.3: Do you believe that enough transparency and justification is provided by TSOs in the application of validation adjustments, or other similar unilateral reductions of cross-zonal capacities?</p>	
<p>24 respondents:</p> <p>10 respondents answered 'Yes' (SEPS, BDEW, Svenska Kraftnat, 50Hertz Transmission GmbH, Amprion GmbH, Edison S.p.A, TenneT TSO GmbH, ENTSO-E, ELIA, TransnetBW GmbH),</p> <p>14 respondents answered 'No' (Orsted, EDF, Green Power Denmark, IFIEC Europe, CEZ, TIWAG, EFET, Swedish Energy Markets Inspectorate (Ei), Europex, Energiforetagen Sverige – Swedenergy, CREG, UFE, Regulatory Assistance Project (RAP), Eurelectric).</p>	
<p>Several respondents argue that the current approach to deviations from the minimum capacity requirements is difficult for market participants to foresight, and that there is a general lack of information on the TSO's chosen approach for validating capacities. (ELIA, IFIEC Europe, TIWAG, Energiforetagen Sverige – Swedenergy, TIWAG).</p> <p>Two respondents criticize the approach for capacity calculation in the specific case of Sweden, alleging limited transparency on grid constraints and limiting CNECs, to the detriment of market participants (Orsted, Green Power Denmark).</p> <p>One respondent reiterates that the TSOs should moderate interventions in the IVA process to ensure operational security and cease recurrent bulk capacity reductions leading to zero-capacities. (EFET).</p>	<p>ACER agrees with most respondents on the significant impact of capacity limitations, both in the form of validation adjustments and allocation constraints, in the optimal market outcome, and calls for the limitation of their use to what is strictly necessary to maintain operational security.</p> <p>ACER considers that market participants can benefit from further transparency in the deviations from the minimum cross-zonal capacity requirements on grounds of operational security and considers that close monitoring from regulatory authorities is necessary to ensure that the prerequisites for these deviations are sufficiently justified.</p>

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<p>Six respondents point out that the Core Publication Tool provides detailed information on the size and justification for validation adjustments (50Hertz Transmission GmbH, TransnetBW GmbH, Amprion GmbH, TenneT TSO GmbH, ENTSO-E, ELIA), and that TSOs have strived to provide transparency on the capacity calculation process (ENTSO-E).</p> <p>Two respondent argues that there should be a clear distinction between allocation constraints and IVAs, stating that allocation constraints are documented and applied in a transparent manner (Edison S.p.A, Eurelectric), while increased effort on IVA transparency is required (Eurelectric).</p>	<p>Moreover, ACER aims to provide further insight on the different validation approaches used by TSOs in upcoming reports, so as to shed additional visibility for market participants.</p> <p>Lastly, ACER welcomes TSO's efforts to publish capacity calculation data on a daily basis through the JAO Publication Tool.</p>
<p>Question 2.4.1: Do you consider that ACER's current MACZT monitoring exercise on regions that apply a CNTC capacity calculation methodology provides a complete assessment?</p>	
<p>17 respondents:</p> <p>6 respondents answered 'Yes' (Commission de regulation de l'energie, CREG, Regulatory Assistance Project (RAP), Edison S.p.A, TIWAG, ENTSO-E),</p> <p>11 respondents answered 'No' (50Hertz Transmission GmbH, EDF, Green Power Denmark, Amprion GmbH, IFIEC Europe, TenneT TSO GmbH, Svenska Kraftnat, TransnetBW GmbH, Europex, UFE, Eurelectric).</p>	
<p>5 respondents suggest that the MACZT assessment can be further enriched for cNTC regions, by including pre-solved CNECs in ACER's monitoring. This allows identifying the CNECs that are limited if the market is cleared differently from its actual clearing point. The same approach should be applied as to flow-based monitoring (EDF, Svenska Kraftnat, Europex, UFE, Eurelectric).</p> <p>Two respondents argue that for the Member States whose CNECs do not limit capacity calculation, it is not possible to assess the fulfilment of the 70% requirement on its borders, and that an assessment on CNECs that are not limiting would result in MCCCs that are not accurate. (Europex, ENTSO-E).</p> <p>One respondent stresses the need that the MACZT assessment also includes the monitoring of the 70% requirement in the intraday timeframe (Green Power Denmark)</p>	<p>In line with ACER Recommendation 01/2019, ACER's approach to 70% monitoring in cNTC capacity calculation regions estimates the margin available for cross-zonal trade on the network element that limits the calculation of capacities. This is the element that is theoretically most loaded with the NTCs provided to the market.</p> <p>This, in turn, entails that information on 70% fulfilment is derived for the Member States where the limiting element is located on and, in case 70% is not reached, additional information on the TSO requesting a capacity reduction needs to be assessed. Moreover, regions that include third</p>

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<p>One respondent argues that an economic analysis on costs and benefits of the implementation of the 70% requirement can enrich the MACZT assessment for cNTC regions (Edison S.p.A.)</p> <p>One respondent argues that they are not able to assess to which extent the cNTC monitoring approach, but they greatly appreciate the efforts taken by ACER. Also, they hope that a continuous improvement process for ACER's monitoring will be maintained (IFIEC Europe).</p>	<p>countries into capacity calculation, such as the case of the Italy North CCR, may rely on TSOs which are not bound by 70% for their own fulfilment of the requirement.</p>
<p>9 EU Welfare</p>	
<p>Question 3.1.1: Do you believe that additional cross-border transmission capacity would have played a critical role in coping with the effects of the energy crisis of 2022?</p>	
<p>27 respondents:</p> <p>12 respondents answered 'Yes' (Swedish Energy Market Inspectorate (Ei), EDF, Green Power Denmark, IFIEC Europe, Edison S.p.A, Europex, CREG, UFE, E3G, Regulatory Assistance Project (RAP), Eurelectric)</p> <p>14 respondents answered 'No' (SEPS, Orsted, 50Hertz Transmission GmbH, Amprion GmbH, TransnetBW GmbH, Commission de regulation de l'energie, BDEW, TenneT, TIWAG, ENTSO-E, ELIA, Svenska kraftnat, RWE Supply and Trading GmbH, European Energy Exchange AG (EEX))</p> <p>1 respondents did not provide an answer but clarify their position in writing. (EFET)</p>	
<p>Five respondents think that the 2022 energy crisis was driven by a gas shortage and a structural deficit of electricity production. Because of this, the levels of cross-zonal capacity can't be considered to have significantly affected the high electricity prices (Orsted, Commission de Regulation de l'Énergie, ENTSO-E, ELIA, IFIEC Europe, TIWAG, Svenska Kraftnat, European Energy Exchange AG (EEX)).</p> <p>Four respondents argue that there have been many hours in 2022 with full price convergence in the Core region where extra transmission capacities would not have brought any benefit (50Hertz Transmission GmbH, Amprion GmbH, TransnetBW GmbH, TenneT TSO GmbH).</p>	<p>ACER agrees with a share of the respondents arguing that the limited levels of cross-zonal capacities were not the main driver of the 2022 energy crisis, and that the integrated market played a key role in guaranteeing security of supply and efficient dispatch throughout the crisis. Market integration is essential to mitigate price volatility and enhance security of supply, especially in a crisis situation, and the increased availability of cross-zonal capacities pursued by the minimum 70% requirement will further allow for such integration.</p>

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<p>One respondent argues that interconnectivity is always good for the security of supply and market efficiency in general (RWE Supply & Trading GmbH), with another respondent claiming that the integrated energy market has mitigated even higher electricity prices in 2022 and enhanced security of supply (BDEW). However, they both argue that it is uncertain whether additional capacities would have contributed to lower prices for end consumers during the crisis.</p> <p>Four respondents state that even with capacity below 70%, the single energy market has proved strong resilience during the crisis by shielding consumers from facing an even stronger crisis, while agreeing that higher levels of cross-border capacity would have mitigated prices further (Eurelectric, Edison S.p.A, EDF, UFE, E3G).</p> <p>Four respondents think that more cross-border capacity would have contributed to lower price spreads between bidding zones, and better scarce resource allocation. (Green Power Denmark, IFIEC Europe, Europex, CREG).</p> <p>Four respondents invite ACER to complement its work by providing an analysis showing the correlation of high price spreads with the MACZT on limiting CNECs, to show if the low level of margin observed on some CNECs contribute to price spikes (Eurelectric, EDF, UFE, EFET).</p>	<p>However, multiple instances have been recorded during the year 2022 where cross-zonal capacities were severely reduced, mainly due to individual validation adjustments in the Core capacity calculation region and allocation constraints in the Polish bidding zone, that prevented cross-zonal exchanges from further mitigating price spikes across the EU.</p>
<p>Question 3.2.1: Do you see a risk for re-dispatching costs to offset the potential gains from increased cross-border transmission capacity and further market integration?</p>	
<p>23 respondents</p> <p>8 respondents answered 'Yes' (SEPS, 50Hertz Transmission GmbH, Amprion GmbH, Commission de regulation de l'energie, TenneT TSO GmbH, ELIA, Svenska Kraftnat, Regulatory Assistance Project (RAP))</p> <p>6 respondents answered 'No' (Orsted, IFIEC Europe, TIWAG, Swedish Energy Markets Inspectorate (Ei), European Energy Exchange AG (EEX), CREG)</p> <p>9 respondents did not provide an answer, but clarify their position in writing (EDF, Green Power Denmark, BDEW, ENTSO-E, EFET, RWE Supply and Trading GmbH, Europex, UFE, Eurelectric)</p>	

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<p>5 respondents argue that re-dispatching should only be conducted if a cost-benefit analysis is positive. This way, the costs would never be higher than potential welfare gains (IFIEC Europe, BDEW, ENTSO-E, EFET, Europex).</p> <p>4 respondents state that the 70%-rule alone will not reduce the risk, but Member States must decide on market integration measures individually (50Hertz Transmission GmbH, Amprion GmbH, TransnetBW GmbH, TenneT TSO GmbH).</p> <p>2 respondents think that re-dispatching and its costs depend on many factors, like the general price level in energy markets. On the other hand, grid expansion is a long-term timeframe and hence, comparing the two is not appropriate (European Energy Exchange AG (EEX), RWE Supply and Trading GmbH).</p> <p>One respondent believes that this trade-off is not applicable, since increased re-dispatching costs are borne by the consumers that are served by the TSOs (who provide insufficient internal capacities on their lines), while the gains from increased cross-zonal capacities are found on EU/regional level (CREG).</p> <p>2 respondents argue that re-dispatching costs are increasingly significant in recent years, and they need to be re-examined (Commission de regulation de l'energie, RAP), with two other respondents following the same reasoning, and arguing that the 70% requirement leads to the massive application of re-dispatch and subsequent market distortions (ELIA, Svenska Kraftnat).</p> <p>2 respondents say that the 70%-rule cannot be questioned, but we must assess its economic efficiency and the most efficient means to achieve it among other RD grid development costs (UFE, Eurelectric).</p>	<p>ACER considers that, under the status quo of a bidding zone configuration with significant internal congestion and excessive loop flows, the progress towards the implementation of the minimum 70% requirement will only happen by relying extensively on redispatching. This reliance comes at a cost, both financial and in terms of emissions, and may not always ensure that 70% can be reached.</p> <p>This Opinion calls on the acceleration of structural measures that would contribute to the fulfilment of 70% within the timeline defined in the Electricity Regulation.</p>
<p>10 Conclusions - Any other comment</p>	
<p><u>Monitoring approach</u></p> <p>Three respondents recommend further harmonisation of reporting and compliance monitoring by TSOs, NRAs and ACER (Ørsted, BDEW, EFET).</p>	<p>Through its monitoring, ACER strives to provide a balanced view on the progress of TSOs in implementing the minimum 70% requirement. The accuracy of the monitoring is highly dependent on the quality of input data and follows a process</p>

Respondents' views	ACER views
<p>Several respondents argue that ACER should only display the performance of TSOs compared to the interim targets stemming from action plans and/or derogations, as benchmarking against the 70% target before 2026 does not provide relevant insights. (50Hertz Transmission GmbH, Amprion GmbH, TransnetBW GmbH, TenneT TSO GmbH, ENTSO-E) Moreover, two respondents call for a more nuanced approach to 70% monitoring, arguing that the compliance with the 70% or interim targets is closely tied to the specific situation of each Member State and region, and that MACZT evaluation should be without prejudice to operational security. (Eurelectric, RWE)</p> <p>Three respondents argue that NRAs should ensure a stricter and more standardized observance of the minimum capacity requirement (i.e. 70% or derogatory targets achievement) on all borders. (CEZ, Eurelectric, Swedenergy); Moreover, two other stakeholders suggest that ACER should further collaborate with NRAs to take steps for solving the underlying reasons for not fulfilling the requirement, and with a perspective to further increase the capacity made available to the market closer to 100%. (CAN EU, RAP)</p> <p>Multiple stakeholders urge ACER not to use this report as basis for policy recommendations, as they question its conclusions, but rather to formulate such recommendations only after consulting all relevant market participants and stakeholders (EFET, BDEW, RWE Supply & Trading GmbH, EEX, Eurelectric).</p> <p>One respondent stresses that ACER and ENTSO-E should collaborate on a single report using consistent methodology to monitor compliance and progress towards the 70% target. (Eurelectric), while another respondent invites ACER to enter into a deep dialogue on 70% monitoring with TSOs (ENTSO-E)</p> <p><u>Way forward</u></p> <p>One respondent calls for the development of further coordinated and cost-shared (multi BZ/MS/regionally) remedial actions to optimize the current networks, while in the medium-term increasing the CZ and supportive internal BZ grid investments by TSOs in MSs (Europex)</p>	<p>of continuous improvement. The responses to this public consultation are a valuable tool in such process.</p>

Respondents' views	ACER views
<p>One respondent argues that the heavy costs induced by costly remedial actions to meet the high availability targets could slow down the developments of new interconnectors until internal networks reinforcement are in place, which would in turn be detrimental as both types of investment are necessary. (Commission de Régulation de l'Energie)</p> <p>One respondent argues against the introduction of smaller market areas, stating that they are not practical and that they would endanger the necessary generation investments and price certainty of consumers, due to a lack of liquidity and hedging options. (Verband kommunaler Unternehmen e.V.)</p>	

3 List of respondents

Organisation	Type
50Hertz Transmission GmbH	Transmission network operator (or association)
Amprion GmbH	Transmission network operator (or association)
BDEW - German Association of Energy and Water Industries	Utility (or association)
CEZ	Utility (or association)
Climate Action Network Europe	Other market participant
Commission de régulation de l'énergie	Regulatory authority
CREG	Regulatory authority
E3G	Other market participant
EDF	Utility (or association)
Edison S.p.A.	Generator (or association)
EFET	Trader (or association)
ELIA	Transmission network operator (or association)
Energiföretagen Sverige - Swedenergy	Generator (or association)
ENTSO-E	Transmission network operator (or association)
Eurelectric	Utility (or association)
European Energy Exchange AG (EEX)	Other market participant
Europex - Association of European Energy Exchanges	Other market participant
Green Power Denmark	Trader (or association)

Organisation	Type
IFIEC Europe	End-user (or association)
Ørsted	Generator (or association)
Regulatory Assistance Project (RAP)	Other market participant
RWE Supply & Trading GmbH	Utility (or association)
SEPS	Transmission network operator (or association)
Svenska kraftnät	Transmission network operator (or association)
Swedish Energy Markets Inspectorate (Ei)	Regulatory authority
TenneT TSO GmbH	Transmission network operator (or association)
TIWAG - Tiroler Wasserkraft AG	Generator (or association)
TransnetBW GmbH	Transmission network operator (or association)
UFE	Other market participant
Verband kommunaler Unternehmen e.V.	Utility (or association)

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