

**ACER**

Agency for the Cooperation  
of Energy Regulators



# **Bidding zone review methodology**

**Update on the upcoming ACER's decision**

**MESC meeting  
24 September**

**ACER**

- **Recent developments**
- Main aspects that ACER intends to amend in the BZR methodology
- Next steps

## Background

- NRAs referred the decision of the approval/amendment of the BZR methodology and alternative configurations, to ACER, in July
- ACER's decision is expected for November
- In taking its decision, ACER will take into account:
  - » The TSOs' initial proposal
  - » A previous consultancy study commissioned by ACER on market liquidity, including stakeholder's feedback
  - » The results of the public consultation conducted earlier this year
  - » Further stakeholders' feedback during MESC meetings, or bilaterally
  - » TSOs' feedback on amendments proposed by ACER
- Latest discussions have focused on 2 main aspects:
  - » The process for defining alternative configurations
  - » The BZR methodology itself

### **ACER's approach to define alternative bidding zone configurations, in light of the lack of alternative configurations for a large part of Europe**

- ACER is ready to take a decision on the BZ review methodology
- ACER considers it is not in possession of all relevant information to take an informed decision on alternative bidding zone configurations
- ACER deems it necessary to request additional information, namely nodal price simulations, to take an informed decision on alternative bidding zone configurations to be studied
- In view of the above, the 'decision' on the 'BZR package' will be split into two decisions as described in next slides.

*ACER's way forward: A two steps approach for the decision is envisaged*



**Content of this decision:**

- **EU Methodology**
- **A data request to TSOs:**  
*Locational marginal price (LMP) simulations for all Europe*



**Content of this decision:**

**Alternative configurations to be studied** in view of the LMP simulations performed by TSOs

- Recent developments
- **Main aspects that ACER intends to amend in the BZR methodology**
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## **Disclaimer**

*These set of slides do not represent the final decision of ACER on the BZR methodology.*

*They represent ACER's likely proposals for approval following discussions among Regulators on the BZR methodology, at this stage of the decision process.*

*As such, they may be considered as a good indication of the amendments that ACER intends to incorporate to the BZR methodology.*

## **The main changes in the methodology aim at:**

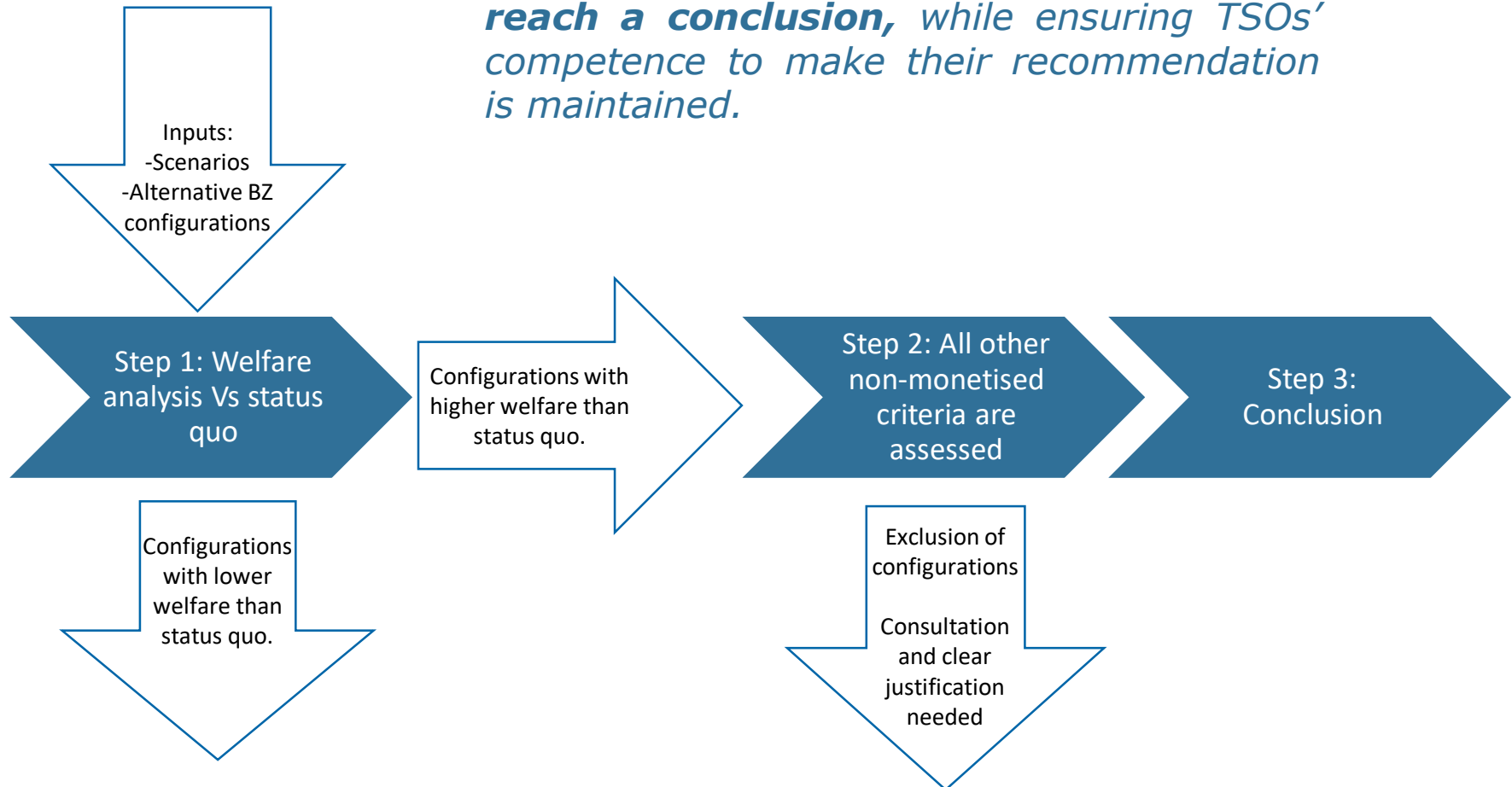
- **Increase pan-European consistency across the BZR methodology:**
  - » Harmonise principles and assumptions, to the extent possible
  - » Keeping some level of regional specificities and/or requiring justifications when deviating from harmonized principles
- **Ensure a robust modelling chain: Some additional requirements to** simulate short-term markets and redispatch
- **Ensure a robust assessment of various criteria: Some additional indicators are incorporated,** including some of the indicators proposed by stakeholders



- Changes aiming at **increased coordination** among BZRRs: Inclusion of provisions describing:
  - » The aspects for which coordination among BZRRs is expected
  - » Emphasis on coordination on publication/consultation.
- Changes aiming at an **enhanced stakeholders' engagement**: Inclusion of provisions describing:
  - » The expected input from NRAs and stakeholders, including consultation
  - » Timeline for this input
- Changes aiming at an **enhanced level of transparency**. Inclusion of provisions describing:
  - » The scope of the data (including assumptions) that are expected to be published (both input data and output data)
  - » Timeline for this publication (during and after the study)

## Process to reach a conclusion

*ACER's proposal: A clearer process to reach a conclusion, while ensuring TSOs' competence to make their recommendation is maintained.*



- Recent developments
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- **Next steps**

Activity	Deadline-Period
<i>ACER's decision on the bidding zone review methodology</i>	November 2020
<i>TSOs will perform simulations, for ACER to take an informed decision on alternative bidding zone configurations</i>	November 2020-Mid 2021
<i>ACER's decision on alternative bidding zone configurations to be decided</i>	Q4 2021
<i>TSOs conduct the BZ review</i>	Q4 2021- Q4 2022
<i>MSs decide on whether to change or maintain bidding zones</i>	Q4 2022

Thank you for your attention!



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## **BACK-UP:**

1. In October 2019, TSOs submitted the methodology and alternative configurations. Configurations submitted only for the Nordic Region and SEE (Crete Island). In particular, no configurations for Central Europe at all.
2. NRAs asked TSOs to resubmit the package with alternative configurations and to submit some data to assess whether the configurations 'made sense', by 20 February 2020.
3. On 20 February 2020, TSOs resubmitted the package with almost no changes and no additional configurations.
4. By 31 March 2020, TSOs submitted part of the data requested (the deadline was extended). Data on LMP (nodal price) simulation was not submitted. Some TSOs have difficulties to submit any data (legal/confidentiality concerns were raised).
5. In April, ACER conducted a public consultation to collect stakeholder's views on possible improvements to the TSOs' proposal.
6. On 7 July, NRAs communicated that they did not agree and referred the approval to ACER.
7. By November 2020, an ACER's decision is expected. Two decisions are envisaged as described in these slides.