



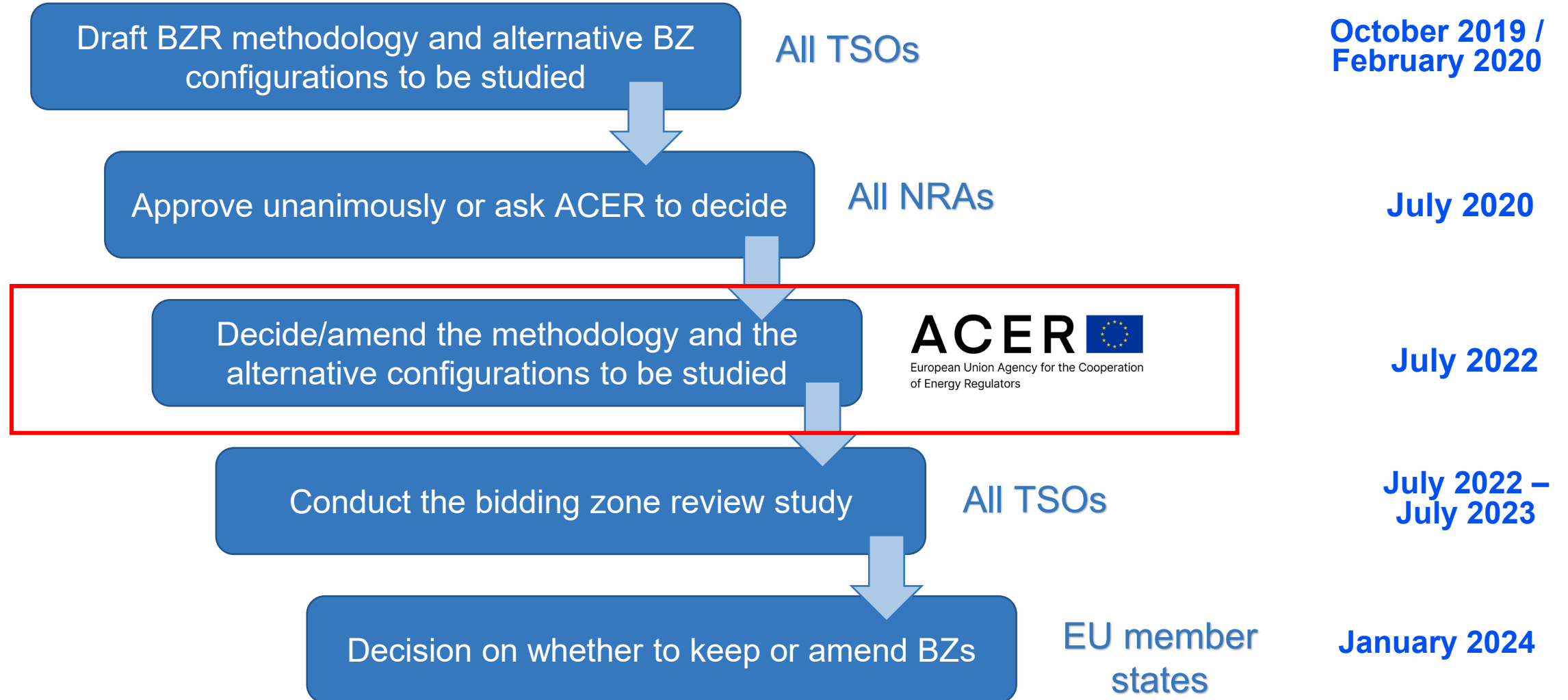
European Union Agency for the Cooperation
of Energy Regulators

BZR: Approach and preliminary results of alternative BZ configurations

MESC

1 June 2022

Overview of the bidding zone review process



- In the **absence of proposed alternative bidding zone configurations for most of Europe**, and the need for ACER to take an informed decision, a **two-step approach** was envisaged

First ACER’s decision

Second ACER’s decision

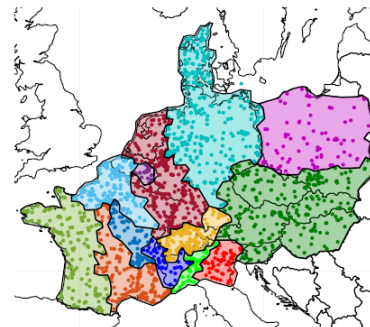
24
November
2020

July 2022

Content of this decision:

- a) **EU Methodology**
- b) **A data request to TSOs:**
Locational marginal pricing (LMP), i.e. nodal pricing, simulations for all Europe

ACER to identify relevant
alternative BZ configurations
(clustering of LMP results)



Content of this decision:

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

- **The decision on configurations will be the result** of applying ACER's high-level approach (consulted in July 2021), which relies on TSOs LMP simulation results and additional analysis on the areas of the network contributing to flows that do not result from capacity allocation. The configurations previously proposed by TSOs (e.g. in the Nordic area) will also be considered.
- **In line with the Electricity Regulation (Article 14.1)**, the alternative configurations will be selected based on the objectives of maximising economic efficiency and cross-zonal capacity. In essence, the selection will rely on **two high-level indicators**:
 1. **Geographical price dispersion** within a bidding zone resulting from TSOs simulations: The higher the dispersion, the higher the scope to manage congestions through better bidding zones delineation.
 2. The **cross-zonal capacity taken away by loop flows and internal flows** on network elements relevant for capacity calculation. The higher these flows, the higher the scope to increase cross-zonal capacity through better bidding zones delineation.
- **In terms of outcome**:
 - For Continental Europe, the selection is driven by TSOs' simulation results and the above mentioned indicators
 - For the Nordic area, the selection will likely combine the configurations proposed by TSOs with the results of these analyses
- **The previous public consultations** on the matter will also be considered for the decision

- The decision will be published **by 20 July**; the BZR itself should start straight after and will last for 12 months
- **Stakeholders and regulators' involvement** during the BZR will be key

Thank you. Any questions?

The contents of this document do not necessarily reflect the position or opinion of the Agency.



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