

Terms of Reference – Bidding Zone Review Consultative Group (BZR CG)

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1. Introduction

Bidding zones are the cornerstone of the EU electricity market. A proper bidding-zone configuration is essential for the security and efficiency of the EU electricity system and electricity markets.

Following the implementation of the Electricity Regulation (Regulation (EU) 2019/943), part of the Clean Energy Package, the European TSOs have to conduct a common study on alternative bidding zone configurations: the so-called bidding zone review (BZR). The purpose of the BZR is to investigate whether alternative bidding zone (BZ) configurations could increase economic efficiency and cross-border trade opportunities, without compromising operational security of the electricity grid. Within the review, alternative BZ configurations will be assessed based on a wide variety of indicators including overall economic efficiency and social welfare, market liquidity, transition costs (e.g. related to adapting IT-systems), and the ability to maintain operational security of the grid.

Preparations for the BZR started in 2019, when TSOs submitted a proposal for the methodology of the BZR to all NRAs. The methodology sets out what indicators will have to be assessed, and how the assessment is to be performed. In view of the lack of a clear proposal what alternative bidding zone configurations to study, all NRAs escalated the decision making on the proposal to ACER. After assessing and amending the TSO methodology proposal, in November 2020 ACER decided on the final methodology for the BZR. A second decision on which alternative configurations have to be studied by the TSOs, is expected in June/July 2022, after which the TSOs will start the full BZR process.

Stakeholder expertise is essential for any discussion of a fundamental market design element such as the Bidding Zone configuration. ENTSO-E on behalf of all TSOs therefore takes the initiative to create a 'Bidding Zone Review Consultative Group' (BZR CG) which will serve as a platform for relevant stakeholders to interact with ENTSO-E and its members on achieving the objectives of the BZR. The BZR CG does not replace the obligation to organise a public consultation on the Bidding Zone Review, but is merely an addition to facilitate additional exchanges with relevant stakeholders.

2. Main objectives of the BZR Consultative Group

The objectives of the BZR CG are to:

- Advise ENTSO-E and its members on matters related to the Bidding Zone Review;
- Provide a coordinated forum through which learning points are shared, and can be used by ENTSO-E and its members to get feedback on elements of the BZR, a.o.
 - Assumptions and inputs for the BZR process
 - Sensitivities to be explored in the BZR process
 - Methodological / modelling choices for the BZR process
 - The execution of the pan-EU studies on market liquidity and transaction costs, and on transition costs
- Be the coordination group for stakeholder engagement on the Bidding Zone Review.

3. Scope of the BZR Consultative Group

- The scope of the BZR Consultative Group is limited to the execution of the BZR process as triggered in 2019 by the establishment of the Electricity Regulation.
- The BZR methodology as decided upon by Acer in November 2020¹ sets the scope and objectives for the BZR process. Stakeholders will be offered the opportunity to cooperate with ENTSO-E and the TSOs and provide inputs on how to best perform the evaluation of all the 22 indicators, within the boundaries and conditions as set out by the BZR methodology.
- The alternative configurations to be investigated in the BZR process, dependent on the future decision of ACER expected in June/July 2022, are also to be considered a given for the BZR CG.
- Discussions on alternative configurations and on the BZR methodology itself, which has been already approved, are out of the scope of the BZR CG.

4. Membership & Attendance

The BZR CG will be led by ENTSO-E and the TSOs representing the different BZRR and facilitated by ENTSO-E.

The BZR CG comprises representatives from key European stakeholder organisations interested in participating. The membership of the Consultative Group should be balanced and on equal footing, representing all parts of the value chain and ensuring geographical diversity to the extent possible across the Bidding Zone Review Regions (BZRRs) that have to assess alternative BZ configurations (hereafter 'active BZRR').

The European Commission, ACER and NRAs may choose to attend as observers.

The composition of the stakeholder group will be limited to 25 people, excluding observers, with a maximum of 15 Stakeholder representatives.

- Active members:
 - o 2 Members from ENTSO-E (excluding facilitation)
 - o 2-4 TSO representatives per active BZRR
 - o 15 Stakeholder representatives, consisting of e.g.
 - European market parties' associations
 - National market parties' associations from bidding zones of active BZRRs
 - European research institutes and think-tanks
- Observers:
 - o 2 ACER representatives
 - o 1 EC representative
 - o 2 NRA representatives per active BZRR
- On ad-hoc bases, ENTSO-E may invite additional experts to discuss or present specific agenda items if deemed beneficial for the exchange within the BZR CG.

¹ Decision No 29/2020 of the European Union Agency for the Cooperation of Energy Regulators of 24 November 2020 on the methodology and assumptions that are to be used in the bidding zone review process and for the alternative bidding zone configurations to be considered

4.1. Candidate selection process

Candidates can notify their interest to take place as active member/observer towards ENTSO-E before 13/05/2022, by sending an email to Gjorgji Shemov Gjorgji.Shemov@entsoe.eu. The notification should also specify which stakeholder organisation will be represented by the candidate, which country the candidate is from and should include a motivation for joining the BZR CG of maximum 150 words.

If more candidatures than places are received, a selection process by ENTSO-E will be carried out based on:

- Representation of European stakeholder organisations (maximum 2 representatives per organisation);
- Geographical background of the concrete candidates (maximum 2 representatives per country);
- European Research institutes and think tanks (maximum 1 representative per Institution)

ENTSO-E's initial preference will be to involve candidates that represent European Associations and with specific knowledge related to different Bidding Zone Review Regions to ensure broad geographical coverage by the group.

Individual positions from local organisations could be forwarded via the European organisations to the stakeholders group.

5. Attendance and role of participants

All representatives to the stakeholder group commit to:

- Consistently attend meetings (with a stable membership);
- Actively participate in meetings;
- Liaise with their members and stakeholders to update on the development and represent their views and concerns; and
- Highlight issues and concerns as early as practicable.

ENTSO-E and its members commit to:

- Provide information to facilitate the representatives' understanding and advice on aspects of the Bidding Zone Review; and
- Provide comments and input when required while respecting the proposed deadlines

The active members will ideally participate physically to the meeting to facilitate interactions.

6. Organisation of BZR CG meetings

The BZR CG is expected to meet four times for the duration of the BZR², but can increase or decrease this number according to its needs. The meetings will in principle be held in Brussels at ENTSO-E premises.

ENTSO-E will draft meeting agendas while duly taking into consideration the input provided by the active members. Agendas are validated at the beginning of each meeting. Stakeholders can request ENTSO-E to include a specific topic on the draft agenda.

ENTSO-E shall produce minutes of each meeting which accurately reflects discussions.

- Participants shall be provided with two in which to comment on the minutes.
- In the event that no comments are received, the minutes shall be deemed to be approved. In the event comments are received, they shall be incorporated when justified, into a final version of the minutes.
- Minutes will include an action log, and a log of any issues raised by stakeholders that may require further investigation. At each meeting, the Chairperson shall seek for clear answers and reports on each item included in the issues and action logs from responsible parties.

Minutes from the precedent meeting, as well as the meetings agendas should be validated by a show of hands.

7. Publication of information from BZR CG meetings

All information shall be treated as work in progress and shall be provided without prejudice to the right of ENTSO-E to update or amend its positions and representatives to update or amend their positions.

The minutes of and documents as shared with the Consultative Group will be published on a dedicated section of the ENTSO-E website, unless documents are specifically indicated as to be treated as confidential by the BZR CG members.

8. Relation to other BZR stakeholder activities

Next to BZR CG meetings, ENTSO-E and the TSOs will engage on additional stakeholder engagement activities related to the BZR, such as:

- **MESC** – High-level reporting on status and general planning
- **Public webinars**, a.o. for presenting BZR process, inputs and assumptions, public consultation and final results
- **1 formal public consultation** (pursuant article 17.4 of the BZR methodology)
- (when needed) dedicated workshops on specific issues and/or have bilateral contacts/meetings with individual stakeholders.

The consultative group will be informed about the timing and conclusions of these communications/meetings.

ENTSO-E and the TSOs will also have separate exchanges with ACER and NRAs during the BZR process.

² Indication: June; October 2022; February and April 2023