



ENTSO-E BZR CONSULTATION

A eurelectric response paper

eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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INPUT IN THE GENERAL COMMENTS BOX OF THE ENTSO-E BZR CONSULTATION

eurelectric thanks ENTSO-E for the possibility to provide input to the Bidding Zone Review consultation. We would also like to thank ENTSO-E for the organization of the advisory committee during the past years.

This first BZR study allowed to deliver an impressive amount of information and observations, on several aspects (market, technical reports, review report), as a result of intense and challenging work. It also allowed revealing a lot of fundamental questions and challenges such as modelling congestion management on the 220 kV by the different TSOs, mapping future demand and generation at 220 kV buses, the impact of capacity calculation, etc. eurelectric acknowledges the complexity of modeling networks for future scenarios. eurelectric would like to highlight that the BZR is the first approach to include market efficiency costs and transition costs.

The draft report is providing the recommendation that no modification of the BZ configuration should be carried out. eurelectric remains neutral on the recommendation of the BZR study. We feel that a recommendation is proposed by ENTSO-E (TSOs of the corresponding study region) solely because it is driven by CACM Regulation. We acknowledge though that unfortunately the current legal framework of CACM Reg. does not allow flexibility in terms of not issuing a recommendation when sufficiently robust and credible analysis has not been possible to carry out/complete.

eurelectric would like to raise its concerns on the fact that the formal stakeholder consultation takes place only a few weeks before the final deadline. We are therefore wondering how and to what extent the stakeholders' inputs will be considered in order to produce the final report.

We find that the consultation's questions are not about the draft report provided by ENTSO-E, but are asking stakeholders for their own point of view of the expert-based configurations on the set of criteria mentioned in the CACM Reg. In order to formulate a sound and inclusive answer to these questions, one would need to perform an in-depth analysis which effectively was according to us, the goal of the BZR study itself. Since eurelectric did not perform such a detailed analysis and it is not realistic to perform such an analysis in four weeks only, our answers to the consultation are focusing on the process followed to elaborate this study. We also provide non-exhaustive and non-restrictive recommendations for future studies, in a constructive manner.

1. Some more detailed comments on the way this study was elaborated:

- | On the criteria selection, CACM Reg. is listing the criteria that should be included in the study. It does not mean per se that these should be analyzed separately, one by one. There can be overlap between some criteria. For instance, "security" should not be a criterion assessed as such. Of course "Security" is of utmost importance and eurelectric does not want to question that. However, we consider that a change of BZ does not change per se the physics of the grid. We think that what should matter is the cost induced to reach a certain level of security. This should hence be included in the social welfare indicator.
- | For some criteria such as transition costs and liquidity impacts, we think it was not relevant to combine individual opinions without a sound and detailed methodology to compute them. This creates the risk of comparing/adding apple and pears. We believe that a more structured process is necessary. ENTSO-E should perform itself an

assessment of the impact of the bidding zones' reconfiguration for both types of costs, using a fully transparent methodology with clear assumptions and proven/tested-results.

- | It seems that this study did not reach a common way to model the network which we consider a critical success factor. In particular this is the case, with the way to allocate demand and generation to 220kV buses, and to tackle congestions on the 220 kV network. eurelectric finds this does not meet overall stakeholder expectations and hopes that for future studies, this can be overcome.
 - | From the beginning, eurelectric suggested to use more scenarios, especially with regards to merging of bidding zones. For future assessments, stakeholder should be able to propose scenarios as well, which reflect the interests of the market as well.
2. Based on the experience gained from this BZR study, eurelectric would like to share some recommendations and suggestions for the next BZR studies:
- | We think that the next process should start with an assessment of success and issues of the first study, as well as proposals for improvements. Only then, the perimeter of the new review can be defined. This is very important in order to built on experience and make sure that the difficulties encountered in this process are properly tackled in the future. We would like this assessment to be shared with stakeholders.
 - | On the stakeholder involvement:
 - o While we appreciated the organization of an advisory group, we suggest greater stakeholder involvement in the future. We believe it is crucial to have more regular stakeholder involvement throughout the BZR process further and beyond the public consultation(s) and the BZR advisory group.
 - o One special hindrance was that some results of the BZR were treated as confidential, which made it unnecessarily complicated for the representatives of the associations to discuss feedback with their membership.
 - o In particular, one needs to be more transparent on the assumptions made, be it for expert based or model based configurations and organize a public consultation on the selection of these configurations before starting the whole process. In the future, should NRA decide on the set of expert based scenarios, eurelectric suggests organizing an appropriate stakeholder consultation on this choice.
 - o We also suggest having stakeholder discussions on the criteria that will be used to assess the different BZ configurations, while respecting the provisions of CACM Reg. (i.e.: how to translate CACM provisions into a set of relevant criteria).
 - | On the methodology:
 - o In order to assess effects on market efficiency, eurelectric suggests exploiting REMIT data.
 - o Given the difficulties encountered with the flow based modelling, we would suggest to properly reconsider the need (pros and cons) of modelling capacity calculation based on a flow-based approach.
 - o We think that having back testing would also be important in order to build/ensure the expected model credibility. Testing system modelling, capacity

calculation, and congestion management modelling with recent past market and network situation is a key verification factor in order to ensure that the computation results are relevant/correct. Such a test should show the correlation between observed congestion costs and scenarios.

- eurelectric also suggests to devote sufficient resources on the fundamentals, i.e., on the grid modelling.
- Finally, we think that a proper methodology for assessing the set of scenarios under the selected list of criteria is necessary. Where the criteria are assessed as a whole by ENTSO-E, full transparency on the methodology should be provided. Where the assessment requires adding inputs from stakeholders, a very clear methodology for computing them should be provided.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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