

MESC: update on the on-going BZR study

9 March 2023



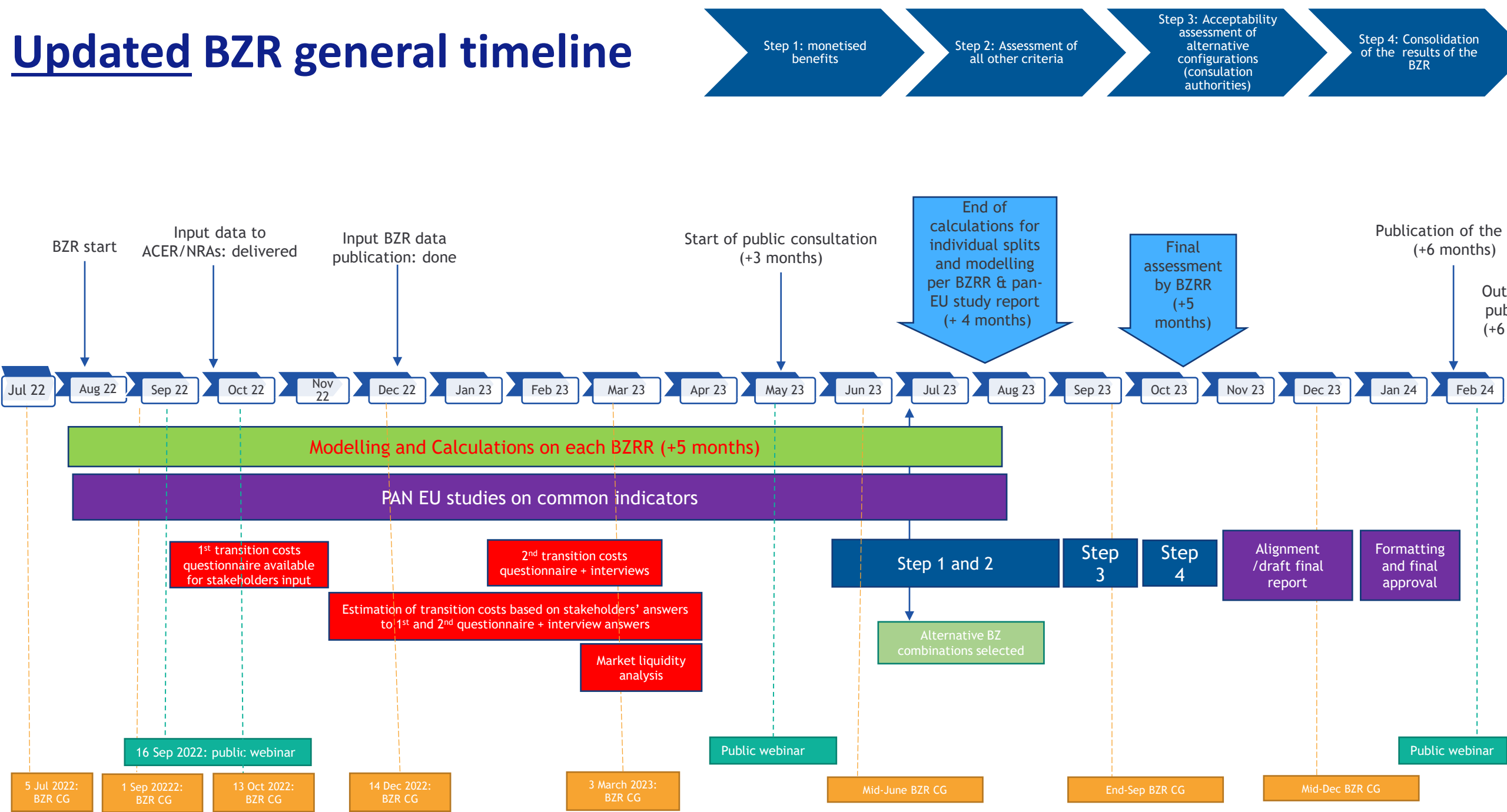
Status update Bidding Zones Review

- **General timeline:**
 - Public consultation : End May 2023
 - Expected delivery of the BZR: February 2024 (1Y + 6 months)
- **PAN EU Studies:**
 - **Transition costs**
 - Few (mainly DSOs, generators, energy traders) to no (large industrial consumers, retailers, aggregators, clearing houses, NRAs) responses for some categories of stakeholders. For these categories, costs estimates will be difficult with the current data
 - Way forward: Second simplified online questionnaire combined with interviews on a sample of around 10 stakeholders (data on first questionnaire will be considered)
 - **Liquidity and transaction costs**
 - Data have been gathered
 - Study is on-going
- **Central EU Region:**
 - Fallback alternative configurations will be used for Germany, mainly as the default configurations cut through the highly-meshed Ruhr area in the northern Amprion grid. (see back up slide)
 - Initial test runs for the base scenario and alternative configurations (without the use of redispatch) not yet completed.
 - **Despite the 6 additional months, the CE timeline is still under pressure due to the data issues, and the computational challenges and complexity.**
 - The following mitigations have been, or are in the process of being, introduced.
 - Simplifications / improvements to be applied in the modelling approach, e.g. a large computational improvement is being implemented in the remedial action optimization (RAO) module (which is the most computationally-expensive module in the tool chain).
 - Hardware has been enhanced in the meantime to improve the computational performance.
- **Nordic Region:**
 - Nordic TSOs decided to run an additional sensitivity for a dry year
 - The initial test runs for the base scenario and alternative configurations (without the use of redispatch) have been completed. These results have been used to gather input data for a Pan-EU liquidity study.
 - The implementation of redispatch, a new function in the BID 3 model, is currently being tested by TSOs and may present potential challenges in terms of timely and accurate delivery.
 - Overall, the Nordic BZR work is progressing as planned.



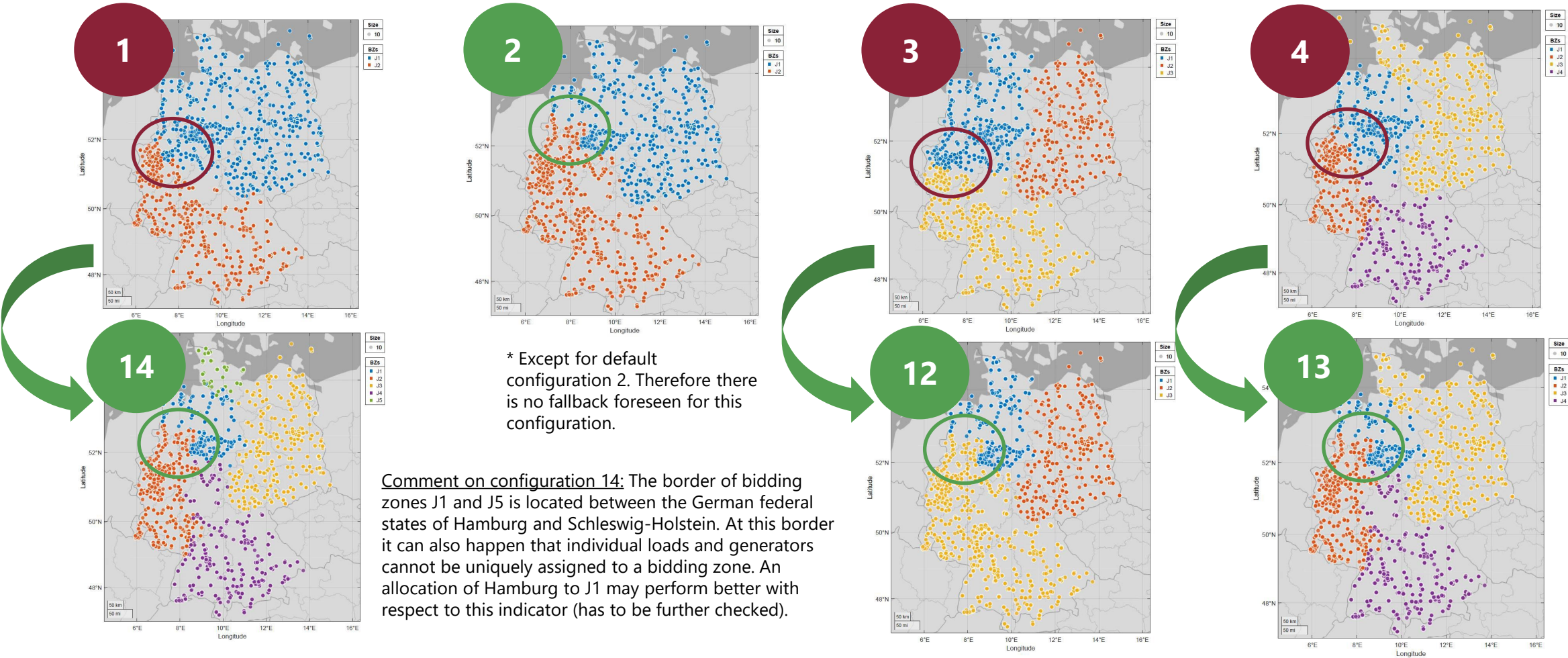
Back up slides

Updated BZR general timeline



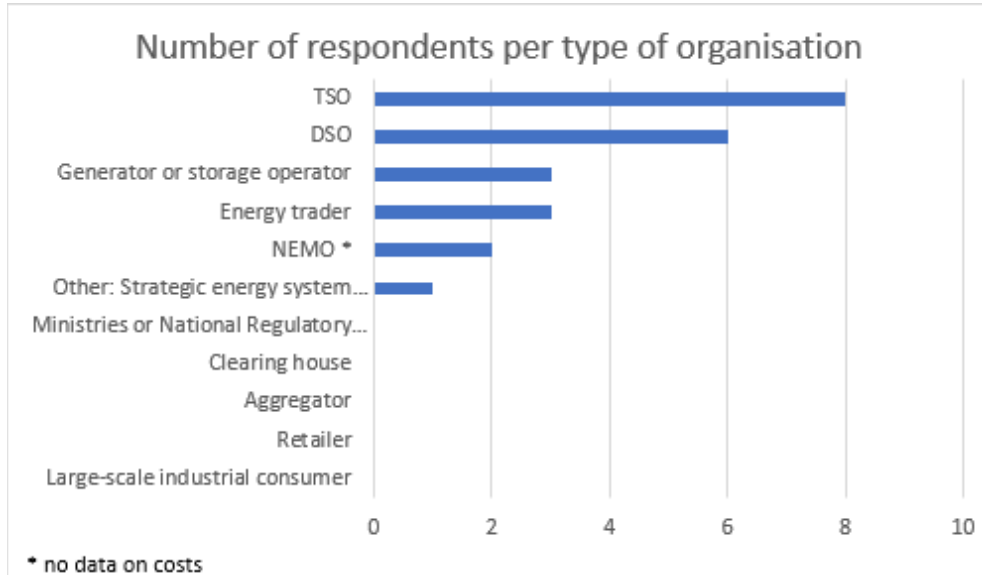
Default and fallback configurations

The default configurations* cut through the highly-meshed Ruhr area in the northern Amprion grid → the fallbacks do not



Transition costs: rational and background for a 2nd questionnaire

General overview of the answers received so far:



BZ reconfiguration	Number of responses per cost category
DE1	20
DE2	19
DE3	38
DE4	38
DE5	19
FR3	18
IT2	17
NL2	18
SE3	34
SE4	34
Total	255

- Very few (mainly DSOs, generators, energy traders) to no (large industrial consumers, retailers, aggregators, clearing houses, NRAs) responses for some categories of stakeholders;
- For these categories, costs estimates will be difficult with the current data → necessity **to complement** the data collection
- Approach chosen: organise a second simplified questionnaire combined with interviews on a sample of around 10 stakeholders from the categories identified (DSO, generator / storage operator, energy trader, NEMO / Clearing houses, aggregator, retailer, large scale industrial consumers);
- Data received on the 1st questionnaire will still be considered;

2nd questionnaire on transition costs: changes compared to the 1st questionnaire

Work in progress

	Questionnaire Element	Rationale
No change	Introduction with background, proposed BZ reconfigurations, definition of transition costs, data processing	Relevant information that has not changed
	Overview of cost categories with explanations and examples	
	Questionnaire including general questions about the respondent, cost estimates, effect of intra-company transactions on liquidity	Relevant information to assess robustness and calculate overall transition costs
Amendments	Optional integration of Excel file as questions into the questionnaire when possible	Facilitates answering the questionnaire for respondents
	Costs per BZ configuration: Asking <ul style="list-style-type: none"> Which of the proposed BZ configurations are expected to affect the respondent Whether costs are expected to vary depending on the proposed BZ configuration (granularity per country kept) For different estimates if respondent indicates that costs depend on BZ reconfiguration (in which case the excel will have to be filled in and uploaded in the consultation tool) 	As often same responses were given for different BZ reconfigurations withing the same country in the 1 st questionnaire, now asking for estimates in “default case” and explicitly asking for any deviations from the “default case” and corresponding cost estimates
	Drop explicit cost differentiation per lead time . Instead, asking whether and, if yes, why lead time is expected to alter transition costs	As often same responses were given for different lead times in the 1 st questionnaire, now asking for estimates in “default case” and explicitly asking whether higher (lower) costs are expected with a shorter (longer) lead time
	Aggregating NEMOs and clearing houses into one type of organisation	Similar task - so far, no responses from clearing houses
	Drop the request for estimated market share of each respondent	So far, no meaningful responses - rather using market data to scale costs
	Drop the request for cost estimates for flexibilization of systems and processes (<u>not</u> part of transition costs)	So far, no meaningful responses and not required for transition costs

2nd questionnaire on transition costs: merging responses with those from the 1st questionnaire

Work in progress

Requested Value in Questionnaire 1	Requested Value in Questionnaire 2	Approach to merging
general questions about the respondent, cost estimates, effect of intra-company transactions on liquidity	general questions about the respondent, cost estimates, effect of intra-company transactions on liquidity	No change, hence complete overlap possible
Costs per BZ configuration, asking for different estimates	Costs per BZ configuration: Asking <ul style="list-style-type: none"> • Exposure to proposed BZ configurations • Variation among costs per BZ configuration • For different estimates if respondent indicates that costs depend on BZ reconfiguration 	New questions on the exposure and variation reduces time spent on the questionnaire for respondents. From the answers, the same cost differentiation between BZ configurations can be made.
Explicit question on cost estimates for lead times 2,3, and 4	Drop explicit cost differentiation per lead time . Instead, asking whether and, if yes, why lead time is expected to alter transition costs	Decrease of granularity such that costs estimates from questionnaire 1 for lead times 2 and 4 are translated into the indication if lead times alter transition costs.
Separate treatment of groups	Aggregating NEMOs and clearing houses into one type of organisation	Not an issue so far
Question about market share asked	Drop the request for estimated market share of each respondent	Consider answers as informal background information
Question about flexibilization asked	Drop the request for cost estimates for flexibilization of systems and processes (<u>not</u> part of transition costs)	Consider answers as informal background information

Tentative timeline

Work in progress

15.03 – 14.04 – 2nd questionnaire online

22.03 – 14.04 – interviews (questionnaire will be provided per mail to the interviewees as soon as finalized)

15.04 – 30.04 – processing information

22.05 – start of the public consultation