

# ENTSO-E Bidding Zone Review Consultative Group (BZR CG) online meeting: update from TSOs on on-going BZR

Date: Friday, 3 March 2023

Time: 10:30am-1pm

Location: Online conference (Microsoft Teams)

## Minutes of the Meeting

### 1. Welcome and introduction of the BZR CG members

BZ TF convenor welcomes the BZR CG members, Bidding Zone Review Region (BZRR) members, pan-EU studies leads as well as Bidding Zone Task Force (BZ TF) representatives. They present the agenda for the meeting and proceed with the first point to be discussed.

### 2. Updated BZR timeline

BZ TF convenor presents the updated BZR general timeline, considering the delay of 6 additional months announced in December 2022.

Eurelectric representative asks when the questionnaire for the public consultation will be shared with the BZR CG. The BZ TF convenor outlines a dedicated meeting will be organised prior to the launch of the consultation in order to provide the BZR CG members room for giving feedback to the questionnaire.

### 3. Answer to BZR CG members questions on 22 indicators

CE BZRR convenor presents a [document](#) outlining the questions asked by the BZR CG members on the 22 indicators to be assessed in the BZR as well as providing the TSOs' answers. The floor is open for discussion as questions are being addressed.

BZR CG members ask specific questions (see table below).

Question	Answer
Eurelectric's question on security of supply: we understand the difficulty of performing a study like ERAA. Could the planned analysis be used to assess the SoS indicators?	The methodology does not allow any flexibility on the assessment of the SoS criterion.
Which simplifications will be made, and can you clarify which aspects are accounted for in calculating redispatch?	Time-coupled simulations and costs are defined in the methodology. CE TSOs follow the methodology yet apply simplification (that is allowed for by the methodology) to run RAO using 50 representative days.

<p>So, those socio economic and redistribution effects will be addressed in the consultation paper in May 2023?</p>	<p>The scope of the consultation will not cover this.</p>
<p>On criterion number 4, BZR CG members ask whether it would be possible to break down consumers and producers surplus by country.</p>	<p>The breakdown of socio-economic welfare into producer surplus, consumer surplus and congestion revenue will be provided on an aggregated EU level. There is a possibility to provide consumers and producers surplus per country. This is not the case however for the congestion rent, as the breakdown per MS would require a congestion income distribution over the various MS. This cannot be done in the time available.</p>
<p>‘Infrastructure costs’ indicator: Energie-Nederland’s representative indicates that assessing this indicator by simply referring to another indicator, namely ‘accuracy of prices’ is not sufficient. The two indicators are related; however, having a view on the accuracy of prices alone, does not allow one to assess the infrastructure costs. The limits of the assessment should be mentioned, in case a better assessment of the ‘infrastructure costs’ indicator cannot be made.</p>	<p>The point is noted down; the experts will revert back once more information is available.</p>
<p>‘Economic efficiency’ indicator: Energie-Nederland’s representative indicates that the approach to assess this indicator as well as treating the redispatch costs in the same way as welfare gains like consumer surplus is not the most adequate way. It would be worthwhile for the experts to check this.</p>	<p>The point is noted down; the experts will revert back in case the comment is incorporated.</p>

Following BZR CG members requests the BZ TF to share the calculations and results of the assessment of the alternative configurations, in particular for indicator 4 at the end of step 1 of the process. The BZ TF notes down the request, and will inform the BZR CG timely.

## 4. Update from the BZRRs:

### 4.1. CE BZRR: status update, sensitivity analysis, German configurations

CE BZRR convener provides short update on the status of the work done. No questions are raised by the BZR CG members.

CE BZRR convener provides an overview on the sensitivity analysis. The participants ask how the load is being considered in the analysis. The convener outlines that the target year of the study is 2025, For the sensitivity, choices are made on the parameters to be considered as presented but insists on the fact that a sensitivity is not a new scenario. There might be some challenges with increasing the load without modelling the full network for 2028 in particular. ACER mentions that not considering the load in the sensitivity is a major concern for ACER and the NRAs.

CE BZRR SPOC provides status update of the alternative configurations for Germany. There was a question from Euroelectric if TSOs have received feedback about German fallback configurations, The answer from the German TSOs is available on [slide 9 of the presentation](#).

#### **4.2. Nordic BZRR: general update**

Nordic BZRR Convenor provides an update on the results from the initial test runs from the model, outstanding issues identified, and progress made. General message is that the Nordic BZR work is progressing as planned.

BZR CG members ask if the redispatch function has improved; the Convenor outlines that the redispatch function will be modelled in BID 3 software and testing of the new redispatch function is ongoing. BZR CG members ask how long the simulation run for redispatch function takes; the Convenor explains that this function is still under testing but it is assumed that 1 – 2 weeks are needed for one simulation run. RAO will be modelled in BID3, more updates to be provided next time.

### **5. Pan-EU studies**

#### **5.1. Second questionnaire on transition costs**

The transition costs study lead outlines the rationale and background for a second questionnaire, mainly due to very few to no response received from some categories of stakeholders on the first questionnaire. The second questionnaire will be simplified combined with interviews on a sample of around 10 stakeholders from the categories identified. The lead explains that this second questionnaire is an attempt to enlarge the data sample in order to be able to estimate the transition costs for all categories of stakeholders and all BZ configurations assessed in the study. This questionnaire will not replace the first one but complement it. Both questionnaires are totally compatible with one another which will allow the TSOs to consider the answers from the first and second questionnaire on an equal basis.

The second questionnaire will be online from mid-March to mid-April. The interviews will be conducted during this period as well. The lead thanks the BZR CG members and other stakeholders that have already provided a positive feed-back for being interviewed.

Euroelectric's representative reacts and indicates that their members have expressed the struggle to provide quantitative input and provide robust figures on transition costs for the future. Additionally, the main costs that are covered are not considered as major costs since, according to the market participants, some transition costs not included in the current definition of transition costs would be more relevant. Euroelectric is concerned that it might be still difficult to obtain responses from market participants that did not provide answers to the first questionnaire and asks how transition costs would be estimated in that case. The lead answers that without input from the stakeholders, it will be difficult to calculate proper estimations. Discussions will need to take place among the TSOs but also with NRAs on how to proceed since some NRAs, in particular, seem to consider that no input provided means that there is no cost. BZR CG members express their strong concerns on this particular aspect. ACER do not see for the time-being the risk to put 0 cost; even with few answers, if data are meaningful, they can be extrapolated. Extrapolation method will be discussed.

BZR CG members suggest considering the costs that occurred in the past bidding re-configurations. The lead precises that indeed this could be a valuable input in particular for the stakeholders that have already been confronted by a split to estimate their own transition costs for the new splits.

ACER mentions that costs for implementation of nodal pricing could be considered as an upper limit of the costs range.

#### **5.2. Market liquidity and transaction cost: data analysis status update**

The lead of the study provides short status update on the data analysis and data collection for the short-term and long-term markets. The members raise the need to include risks of imbalance prices on the costs associated with the liquidity. Short discussion follows.

Energie-Nederland's representative is interested in looking into the imbalance risks in the analysis as the size of the bidding zones can have a large impact on imbalance price volatility.

## **6. Consultative group next meeting and closing**

BZ TF convenor outlines that the next meeting will be before the launch of the public consultation. BZR CG members welcome the fact that the meetings are announced in advance and materials sent ahead of the meetings the meeting so they can prepare it, enabling interactive meetings. The convenor thanks the BZR CG members for their active contribution on the on-going BZR.