



## Frequently asked questions on the First Edition of the Bidding Zone Review put for consultation

### What do participating TSOs propose as a recommendation in this draft version of the review?

The participating TSOs consider that the evaluation presented in this draft version of the First Edition of the Bidding Zone Review does not provide sufficient evidence for a modification or for a maintenance of the current bidding zone configuration and therefore recommend, given the lack of clear evidence, to maintain the current bidding zone delimitation.

### What about the planned split of the German/Austrian bidding zone?

This recommendation should in no way be interpreted as an endorsement or an objection against the planned split of the German/Austrian bidding zone, where TSOs respect all relevant regulatory decisions, among others the decision of the Agency for the Cooperation of Energy Regulators of 17 November 2016<sup>1</sup> on ENTSO-E's proposal for the determination of Capacity Calculation Regions and the agreements reached by the regulatory authorities of Germany and Austria<sup>2</sup>.

### What is the justification for the recommendation of the participating TSOs in the First Edition of the Bidding Zone Review?

A selection of different configurations have been evaluated according to the criteria included in the European Commission (EC) EC Regulation 1222/2015. This evaluation shows a heterogeneous picture, and on the basis of the methods used and results obtained, it is not possible to conclude with sufficient clarity that where none of the configurations is clearly classified as superior to the others.

This First Edition of the Bidding Zone Review is the first exercise of its kind in Europe. Many of the processes and market arrangements modelled under the Bidding Zone Review are currently under development, so that it is not possible to rely on agreed and proven methodologies and to apply them for the purpose of the study. This observation is particularly related to the flow-based market coupling which has been strongly requested by several stakeholders as a core feature of the simulation chain. The flow-based market coupling is particularly sensitive to certain assumptions which are not yet specified in the region under consideration (in large parts the CORE capacity calculation region). Furthermore, integrating operational procedure and data into a model environment has induced additional complexities.

### What are the next steps in the legislative process?

At the end of the process, after the consultation results have been considered and the final version of the First Edition of the Bidding Zone Review has been published, the participating TSOs will have

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<sup>1</sup>[https://acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Individual%20decisions/ACER%20Decision%202006-2016%20on%20CCR.pdf](https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%202006-2016%20on%20CCR.pdf)

<sup>2</sup> [https://www.bundesnetzagentur.de/SharedDocs/Pressemitteilungen/EN/2017/15052017\\_DE\\_AU.html](https://www.bundesnetzagentur.de/SharedDocs/Pressemitteilungen/EN/2017/15052017_DE_AU.html) and [http://press.e-control.at/News\\_Detail.aspx?id=49445&menueid=1884](http://press.e-control.at/News_Detail.aspx?id=49445&menueid=1884)



officially submitted their recommendation to Member States which have then six months to approve it or reject it.

### **What are the challenges highlighted in the First Edition of the Bidding Zone Review?**

This First Edition of the Bidding Zone Review has highlighted the scope and complexity of the task. The obtained results are not yet sufficient to draw firm conclusions. There are, however, important learning points from the First Edition of the Bidding Zone Review which will lead to clearer results in future reviews. This concerns not only the methodologies for flow-based calculation and technical constraints, but also the definition of elements which are politically particularly sensitive and the processes that led to certain choices (e.g. scenarios or time horizons). ENTSO-E and TSOs will continue working on the subject, establishing economic modelling functions and adapting them to the market design / capacity calculation framework in order to accommodate future reviews.

### **Will there be other Bidding Zone Reviews?**

The CACM regulation states that ACER should assess the efficiency of the current bidding zone configuration every three years requesting ENTSO-E to draft a technical report and drafting a market report. These reports are prerequisites for the Agency determining if another bidding zone review shall be launched. There has already been a request by the Agency for ENTSO-E to provide a technical report. This technical report is due in October 2018. Depending on the release of the Clean Energy Package (CEP) and initiation of a new review, the procedures established by the CACM may be complemented with additional elements included in the CEP.

### **What is a bidding zone?**

Cross-border electricity trades and exchanges are organised between these zones based on available transfer capacities calculated by TSOs, while internal trades inside bidding zones are considered as unrestricted. Calculating transfer capacity between zones is necessary to facilitate the exchange of electricity and thus competition while ensuring the safe operation of the electricity system. The way capacity is calculated is at the moment being defined by the different capacity calculation regions and all methodologies used by the TSOs in capacity calculation have to be approved by the respective national regulatory authorities, NRAs.

### **What is a capacity calculation region?**

A capacity calculation region is a group of bidding zone borders on which the same capacity calculation methodology is applied by the TSOs. The First Edition of the Bidding Zone Review concerns in large parts the Core capacity calculation region. The Core capacity calculation region covers the following countries: Belgium, The Netherlands, Luxembourg, France, Germany, Austria, Poland, Czech Republic, Slovakia, Hungary, Romania, Slovenia, and Croatia.



### **What is flow based capacity calculation?**

Flow based capacity calculation allows for an optimisation of network capacity usage within the market coupling while at the same time respecting relevant network constraints. It is the methodology to be applied on the Core region in the study (please note that this is not equal to the Core capacity calculation region).

### **What about the bidding zone review pilot project?**

In its letter dated 30 August 2012 ACER invited ENTSO-E to initiate a bidding zone review pilot project in accordance with the draft CACM network code available at that point in time in the regions Central West Europe (Belgium, France, Germany, Luxembourg, the Netherlands), Denmark-West, Central Eastern Europe (Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Slovenia), Switzerland and Italy North. In the course of this initiative, an ACER Market report as well as an ENTSO-E Technical Report has been issued in 2014.

A formalisation of the process followed with a second letter, which excluded Switzerland, by ACER on 21 December 2016 which under the CACM regulation entered into force on August 2015 meant the delivery of the Bidding Zone Review and recommendation had to happen fifteen months later; that is 21 March 2018.

### **What is the difference between CORE Capacity Calculation Region and the core Bidding Zone Review area?**

The CORE Capacity Calculation Region includes all countries of the Bidding Zone Review area except Denmark and Italy North. The CORE CCR also includes Croatia and Romania that are not covered by the Bidding Zone Review.