

# European Network Code Forum

**Regulatory Update**  
**1<sup>st</sup> July 2014**

# Agenda

- Network Code Updates
- Bidding Zone Review Update

# Electricity Balancing Network Code

- ENTSO-E delivered the Network Code on Electricity Balancing to ACER on 23<sup>rd</sup> December 2013.
- ACER provided its reasoned opinion on the Network Code on 23<sup>rd</sup> March 2014
- ACER's Reasoned Opinion is negative
- Engagement and discussions are ongoing between ENTSO-E, the EC and ACER to ensure the best possible solution is reached

# Electricity Balancing Network Code

- **ACER's Reasoned Opinion**

- Network Code does not respect the timelines in the Framework Guidelines and introduces a Framework based on a voluntary approach
- Network Code is not ambitious enough in harmonising and standardising the core elements needed to achieve an integrated Balancing Market
- Only the imbalances after the closure of the intraday market should be balanced by TSOs within the balancing market timeframe
- Framework for the definition of products and related CMOLs do not promise sufficient standardisation
- Self-dispatch and Central-dispatch systems should have equivalent requirements
- Network Code should minimise the side effects on efficiency and cross-border competition that could arise from the coexistence of these two types of systems

# Forwards Network Code

- ENTSO-E delivered the Forwards Network Code to ACER on 1<sup>st</sup> October 2013
- ACER provided its Reasoned Opinion on the Network Code on 18<sup>th</sup> December 2013
- ENTSO-E resubmitted the Network Code on 2<sup>nd</sup> April 2014
- ACER provided its final Reasoned Opinion on the Network Code on 22<sup>nd</sup> May 2014
- Outstanding issues include;
  - Timelines for establishing the single allocation platform and harmonisation of associated items;
  - Firmness provisions

# Grid Connection Network Codes

- Requirements for Generators
  - Revised draft has been circulated at Comitology
- Demand Connection Code
  - Revised draft has been circulated at Comitology
- HVDC
  - ENTSOE submitted to ACER in April 2014
  - ACER Opinion and Recommendation due July 2014

# System Operation Network Codes

- Operational Security
  - Due to enter Comitology
- Operational Scheduling and Planning
  - Due to enter Comitology
- Load Frequency Control & Reserve
  - Due to enter Comitology

# Bidding Zone Review

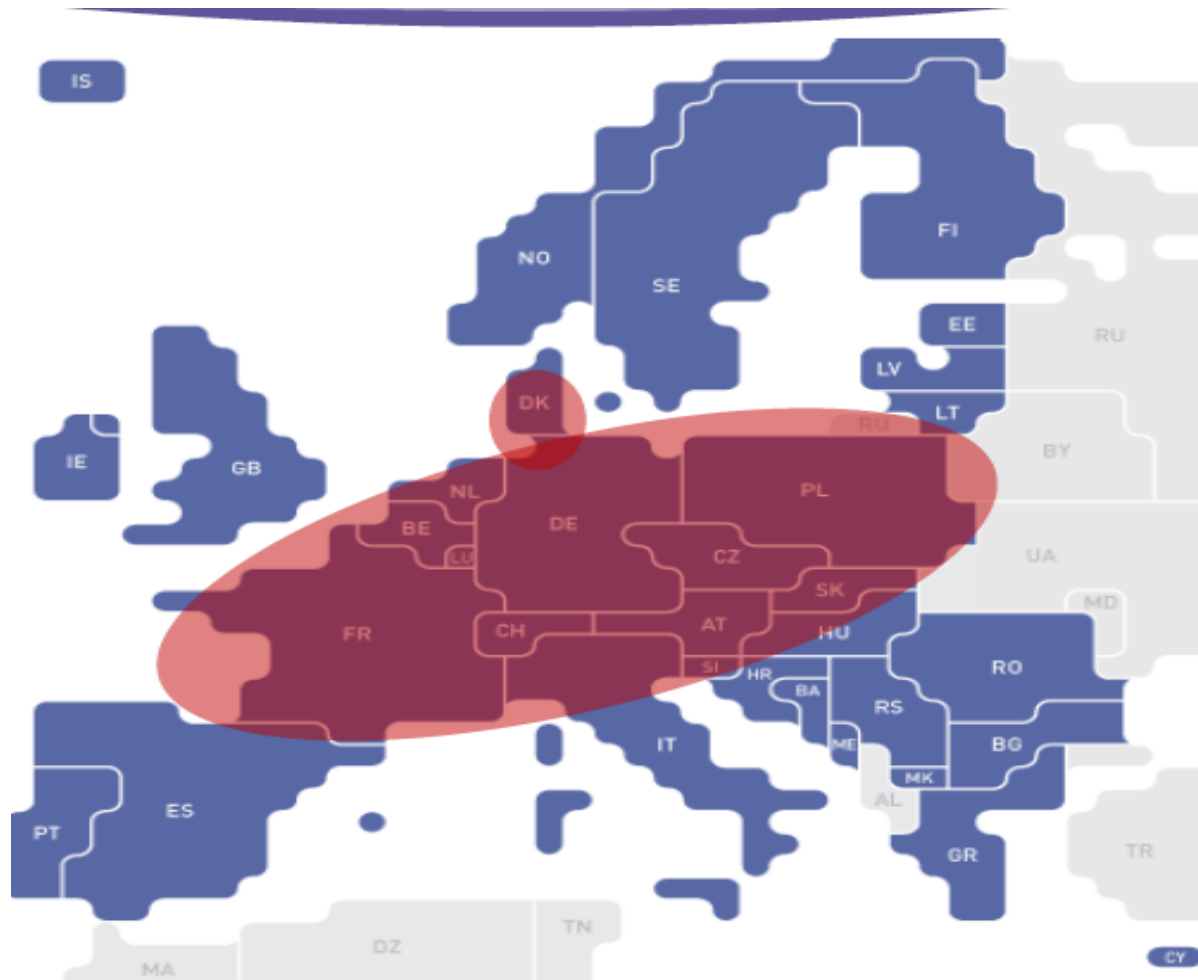
- Activity 1: **Technical Report** on current Bidding Zones configuration prepared by ENTSO-E **PUBLISHED**
- Activity 2: **Market Report** evaluating the influence of current Bidding Zones configuration on market efficiency prepared by the Agency **PUBLISHED**
- Activity 3: **Decision to launch the process** for reviewing the bidding zone configuration **TAKEN BY ASSUMPTION**
- Activity 4: **Review of the bidding zones configuration** performed by ENTSO-E **EXPECTED IN 2015**



# Bidding Zone Review

- August 2012 - ACER invited ENTSO-E to initiate a pilot project on the bidding zone review based on the draft Capacity Allocation and Capacity Management NC
- Geographical scope:
  - **CWE:** Belgium, France, Germany, Luxembourg, the Netherlands
  - **CEE:** Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Slovenia
  - Denmark-West, Switzerland, Italy (northern bidding zone)

# Bidding Zone Review



# Bidding Zone Review

- ENTSO-E published the Bidding Zone Review Technical Report in January 2014
- Technical Report
  - 2011-2012 data and current Bidding Zones
  - Looks at historical congestions , power flows, congestion income
  - Forms input for the Bidding Zone Review
  - Contains no concrete proposals to maintain or amend the Bidding Zone configuration

# Bidding Zone Review

- Market Report was published by ACER on 7<sup>th</sup> March 2014
- Existing Bidding Zone configuration is affecting:
  - Efficient dispatch of generation and levels of social welfare
  - Distribution of social welfare
  - Signals and incentives to invest (in both transmission and generation)
  - Market liquidity (particularly in the forward markets)

# Bidding Zone Review

- **ACER Recommendations to ENTSO-E for Review:**
  - Realistic scenarios (generation, load and network topology)
    - Include future investments that will certainly happen in reasonable timeframe
    - Full costs and benefits of expanding and using the network
  - Creation of alternative Bidding Zone configurations reflecting structural (frequent) physical congestions
  - Compare each Configuration for:
    - Overall costs for dispatching and distributional effects
    - Efficiency and ease of the implementation of the Target Model
    - DA/ID/forward market liquidity
    - Market signals and investment incentives

# Bidding Zone Review

- **Further elements to be taken into consideration:**
  - Transaction costs for market participants
  - Undue discrimination between internal and cross-zonal exchanges
  - Time required to change Bidding Zone configuration
  - Transitional costs in case of reconfiguration
  - Network investments prior to a possible Bidding Zone reconfiguration
  - Impact of Bidding Zone reconfiguration on future investment decisions, both in transmission and generation
  - Market power and market concentration
  - Impact on retail market competition
- Responses to Public Consultation on ACER Report
  - Stability of Bidding Zones over time
  - Transparency of the assessment of the Bidding Zones configuration

# Bidding Zone Review

- ENTSO-E Bidding Zone Review (2015):
  - Future Scenarios
  - Follow up to the Technical Report
  - In depth assessment of network security, market efficiency, stability and robustness
  - Concrete proposals to maintain or amend the Bidding Zone configuration