

BZR

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Feedback

Reconfiguration of bidding zones

Where have we come from?

- EU networks have to cope with several major transitions
- Bidding Zone Design has always been at the heart of the debate
- Economic evaluation has to take into account main trade-offs:
 - Unclear role of Redispatch costs, which do not per se constitute additional net costs and thus a loss of welfare
 - Loop flows are no suitable indicator for assessing the efficiency of congestion management
 - Impact on market liquidity as an important dimension of total welfare often overlooked
- Expectation: BZR would give a clear cost-benefit analysis

Reconfiguration of bidding zones

First Look at the Review

- The BZR has mobilised massive resources and involved experts from all over Europe in a very transparent process
- Results difficult to interpret due to high complexity
 - ➔ Simple messages may not be possible
 - ➔ BUT the BZR is the best answer, which we have
- Loss in market efficiency – It is real, compelling evidence from the DE-AT splitting exercise
 - Trading volume in the German-Austrian power derivative market decreased by 30% from 2016 to 2017
 - The Austrian power derivative market is now virtually dead
 - No surprise & the bad news: There is little hope of recovery

Reconfiguration of bidding zones

BDEW Proposal for the way forward

- BDEW agrees, that there are many challenges and there is a need for prioritisation of the solutions
- A bidding zone reconfiguration is a measure of last resort, but it must remain a measure of last resort
- The German network has been extremely stable – busting several legends, still there is a lot of work to do
- The BZR does not (yet) offer a clear cost benefit analysis, however
 - It was an inclusive, transparent process
 - It is the best way to analyse the best bidding zone configuration
 - As a community, the BZR can support our decision making