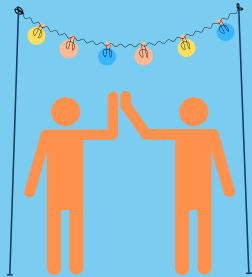


CROSS-ZONAL CAPACITIES & 70% MARGIN

2023 MARKET MONITORING REPORT - ELECTRICITY



Maximising the electricity interconnection capacity that is made available for cross-zonal trading with neighbours lies at the heart of the European electricity market. It helps Member States (MSs) mitigate energy price shocks and enhances security of supply.



Interconnections can no longer be seen as a bilateral issue between two MSs. Delivering on the agreed minimum

70%



of interconnection capacity is key to achieving the ambitious political goals for vast offshore renewables (300 GW by 2050, 15 times higher than today) that will benefit the EU.

But, the capacity available for the cross-zonal trade of electricity remains low across the EU. The minimum 70% target is still far off for most MSs.



Reaching the 70% target requires a determined effort. Each MS's actions (or inactions) impact other MSs and ultimately consumers.



Lifting both internal and cross-zonal constraints is necessary to achieving the 70% target.

OLD BARRIERS PERSIST:

- Loop flows, i.e. internal trades within country A creating electricity flows through country B, thus negatively impacting other MSs;
- Insufficient and costly remedial actions;
- No mechanism in place for sharing the cost of remedial actions.

The unilateral restrictions of capacity by a transmission system operator (TSO) can significantly impact market welfare and electricity prices in neighbouring MSs, and thus should be used only when strictly necessary and in a transparent manner.

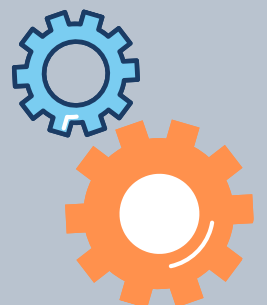


The 70% target, mandatory in all MSs by 2026, will become increasingly difficult and costly to reach. Progress towards the 70% target is unlikely to happen without tough trade-offs.



What can MSs and TSOs do to lift the barriers to cross-zonal trading?

- Speed up grid investment;
- Improve bidding zone design to reflect power system's reality;
- Enable the use of all remedial actions (e.g. redispatching, counter-trading, phase shifters);
- Apply flow-based capacity calculation & allocation in meshed regions.



Timely access to correct and complete data is necessary to ensure a comprehensive monitoring of cross-zonal capacities by regulatory authorities and ACER.



NEXT STEPS

ACER invites stakeholders to input to our [summer public consultation](#) (21 July – 15 September), and [webinar](#) on 6 September.

ACER will issue a formal opinion to the European Commission and Parliament by the end of 2023.