

Public consultation on ACER's 2023 market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)

Fields marked with * are mandatory.

Objective

The objective of this consultation is to gather views from stakeholders regarding the findings of ACER's market monitoring report on '**Cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)**'. Based on the findings of the report and the stakeholders' input gathered, ACER will issue a formal opinion to the European Commission and European Parliament by the end of 2023.

Target group

This consultation is addressed to all interested stakeholders, including market participants, regulatory authorities, nominated electricity market operators, and transmission system operators.

Contact and deadline

The contact point for this consultation is: ewpmm@acer.europa.eu

All interested stakeholders are invited to submit their comments ~~by 15 September 2023, 23.59 hrs (CET)~~ **by 22 September 2023, 23.59 hrs (CET)**.

More information on ACER's monitoring of cross-zonal capacities is available [here](#).

General terms of the consultation

* Name of the respondent

[REDACTED]

* Email

* Company

* Country of origin (headquarters)

* Countries where your company is active

* Activity

* Should the following answers to this public consultation be treated as confidential?

- Yes
 No

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the [Agency's Guidance Note on Consultations](#) and [the privacy statement](#) referred to this consultation.

General feedback - Evolution of cross-zonal capacity levels

To what extent do you agree with the conclusions illustrated in ACER's 2023 market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)?

- Strongly agree.
 Agree.
 Neutral.
 Disagree.
 Strongly disagree.

What changes would you suggest for future editions of ACER's cross-zonal capacity report?

- Balanced agenda and feasibility discourse: EDF agrees that NRAs should ensure strict observance of the rules on all borders and report on progress according to a consistent methodology. Conversely to ACER, EDF considers that the bidding zone review is not the only approach left to reach the 70% target. In fact, network development and redispatching are as valuable measures to implement. And in any case the use of countertrading can allow to reach the 70% target.
- Transparency in recommendations process and overall transparency: As ACER is to provide recommendations, for transparency's sake, EDF believes stakeholders should be offered the opportunity to comment on ACER's recommendations to the EC. Furthermore, transparency over national action plans and their implementation should be provided so as to have a clear picture of the effort towards the target. At last, the assessment of derogatory target compliance should be better put in light of the target itself.
- Enhancing cooperation between ACER and ENTSOE: EDF regrets the inconsistencies between ACER's and ENTSOE's reports and considers that a harmonized methodology would provide a more consistent picture of the actual compliance status. EDF considers that the monitoring compared to both the 70% target and the derogatory levels (through derogations or action plans) should be performed as they are needed to provide the full picture of efforts implemented and left to implement to reach the target. ACER and ENTSOE should work to find common ground on the monitoring methodology. Notably, EDF considers that ACER could focus its monitoring on presolved CNECs as this has been a point of disagreement previously raised by TSOs.
- Broadening the scope of analysis and assessing welfare creation enabled by the 70% : EDF considers that future ACER reports should also analyse (i) the efficiency and economic rationale of the measures implemented by Member States to reach the 70% target and (ii) the welfare that could have been created from freeing further CZCs (whether the 70% was reached or not).
The ACER analysis should encompass comprehensive factors including costly actions like RD and grid development investments. Transparency is crucial in disclosing the inputs used to evaluate these costs, ensuring clarity in determining their magnitude and efficiency of implementation. This approach will enable the identification of the most economically viable strategy in various regions among the available options.
- Considering Third Countries impact: Due to their impact on reaching the target, electricity flows with very well interconnected third countries should get a proper consideration in ACER's analysis. If such flows are not counted towards the 70% target, EU Member States affected by those flows are at risk to either miss the 70% target or to have to take measures detrimental to both the 70% target and an ever deeper integrated European electric market, thereby reducing overall welfare creation.
Moreover, EDF reiterates its message that those very-well interconnected third countries which are part of the synchronous grid of Continental Europe should at least be included in the capacity calculation process in order not to put system operations and welfare creation at risk.
- Intraday (ID) timeframe discussion: EDF understands that ACER intends to extend its compliance monitoring to the intraday timeframe. EDF considers that it would not be desirable nor efficient to implement the 70% target in Intraday without a proper demonstration of the benefits in terms of social welfare. EDF would like stakeholders to be associated with any work on this topic.
- Focus on allocation constraints: EDF welcomes the efforts provided by ACER to try to capture the impacts of IVAs (Individual Validation Adjustments) and allocations constraints on capacity levels but considers that the report currently provide insufficient information on this point. EDF notes that the number of IVAs has increased as a mean for TSOs to provide lesser levels of capacity. It is consequently important to improve their monitoring. EDF also considers that the level of information and transparency provided around IVAs is largely insufficient. TSOs should transparently explain to the market the application of validation adjustments or other similar unilateral reductions of cross-zonal capacities. To that regard, EDF considers that allocation constraints are applied in a more transparent way and should be taken as an example of what TSOs could provide on IVAs.
- Monitoring long-term cross-border capacity improvements: the recent discussions on the Electricity Market Design (EMD) have shown the importance of the long-term timeframes. Therefore, monitoring and reporting on the improvement of the availability of LT capacity will be valuable.

Based on the data presented in Chapter 1 of ACER’s report, do you believe that the current development of cross-zonal capacities across the EU is sufficient to enable the integration of European electricity markets?

- Yes
- No

Please clarify your answer.

First, EDF would like to point out that it understands the question regarding the “development of CZCs” as the level of capacity provided on existing CZ infrastructure and not as whether further CZ infrastructures should be developed.

Second, EDF reminds that market integration is sought to maximize surplus while minimizing costs. EDF is not in favor to consider the whole of Europe as a copper plate to the expense of European economic net surplus.

Finally, in EDF opinion, TSOs should always strive to maximise cross-border capacity available to the market and we believe that more should be done by TSOs in most regions. Zones going below historical levels such as the 20% in the CWE regions are especially unacceptable.

Margin available for cross-zonal trade in the EU in 2022

Considering the results of the monitoring exercise of 2022, do you believe that enough progress is being made across the EU to fulfil the 70% cross-zonal transmission capacity target by 2026?






- Yes
- No

Please clarify your answer.

EDF subscribes to the Eurelectric response to this question.

In ACER’s report, several elements are presented as critical limitations to the achievement of the 70% cross-zonal transmission capacity target. Please rank them by order of relevance:

5 stars correspond to the biggest threat.

Lack of a mechanism to share remedial actions costs	
Lack of sufficient remedial actions	
Suboptimal bidding zone configuration and resulting loop flows	
Lack of sufficient grid developments	
Unilateral capacity reductions applied by TSOs	

Do you see any other threat to the achievement of the 70% target?

In most cases, the most critical limitations are insufficient grid developments and unilateral capacity reductions. EDF does not support characterizing the current BZ configuration as a threat to reaching the 70% target as mentioned in the ACER report. There are alternative paths to reach this target and there is no substantiated evidence that a BZ reconfiguration would lead to achieving this target.

EDF considers that the following 4 points constitute the most important threats to the achievement of the 70% target:

- Not achieving action plan (or derogation) targets in some borders. The lack of consequences limits the strength of the 70% target. Encouraging incentives for corrective actions and fostering long-term solution development will contribute to the achievement of this target. In some regions, we have experienced cases (FI-SE3) in which TSOs do not achieve the target without facing any consequences. Such situations could set a discouraging precedent, undermining the significance of the 70% target.
- Delays in necessary investments could impede progress towards achieving the 70% target. A monitoring encompassing the effective implementation of actions plans and the expected investments would contribute to ensuring a swift achievement of the 70%.
- Suboptimal coordination of costly remedial actions in coordinated regional operational security analysis: regional optimization of remedial actions, both non-costly and costly, can provide further levers to maintain operational security at any given time at an efficient cost, while maximizing available cross zonal capacities. EDF would like to stress the importance of further implementing such operational coordination between TSOs.
- Individual validation steps at the TSO level, applied without coordination, with a low level of transparency and a low level of predictability. To a certain extent, allocation constraints, particularly when applied for frequency or voltage regulation purposes can also pose a challenge.

What would be the key enabler(s) for reaching the 70% target by 2026?

Enhancing the coordination among TSOs on remedial actions could be a key enabler for reaching the target.

Have you been affected by unilateral capacity reductions, such as allocation constraints or individual validation adjustments?

- Yes
- No
- Not applicable

Please clarify your answer - in particular, the extent to which you were affected.

Do you believe that enough transparency and justification is provided by TSOs in the application of validation adjustments, or other similar unilateral reductions of cross-zonal capacities?

- Yes
- No

Please clarify your answer.

Same comment as the previous question.

Do you consider that ACER's current MACZT monitoring exercise on regions that apply a CNTC capacity calculation methodology provides a complete assessment?

- Yes
- No

Please clarify your answer, and potential suggestions to improve this monitoring.

EDF believes that the MACZT assessment can be further enriched for CNTC regions by including presolved CNECs in ACER's monitoring. Such monitoring would allow to identify the CNECs that would have been limited should the market had cleared differently from its actual clearing point. EDF considers that the same approach should be applied to flow-based monitoring.

Unnecessary constrained capacities limit EU welfare

Do you believe that additional cross-border transmission capacity would have played a critical role in coping with the effects of the energy crisis of 2022?

- Yes
- No

Please clarify your answer.

EDF supports Eurelectric's response. In particular, EDF invites ACER to complement its work by providing an analysis showing the correlation of high price spread with the MACZT on limiting CNECs or presolved CNECs instead of any CNEC to show whether the low level of margin observed on some CNECs actually contributed to aggravate price spikes.

Do you see a risk for re-dispatching costs to offset the potential gains from increased cross- border transmission capacity and further market integration?

- Yes
- No

Please clarify your answer.

The 70% target is on the table and is not put into question. However, we could (i) assess the most efficient means to achieve it considering among others RD and grid development costs, and (ii) assess whether it would be economically efficient to go beyond.

Conclusions

Any other comment

Contact

[Contact Form](#)

