

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

* 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?

Elia shares to a large extent the observation made by ACER that the barriers to implement the 70% requirement remain and will become increasingly difficult and costly to fulfil.

What Elia is missing in the report is a substantiation / evidence of the claim that the current congestion management toolkit (build – split – pay) is sufficient to deliver the 70% requirement.

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.

There is a remarkable asymmetry between the scope of Chapter 1 and the scope of this question making it impossible to answer here yes or no.

Whilst the data in chapter 1 depicts a historical evolution of cross-zonal capacities for the day-ahead market, the question in itself is forward looking and alluding to markets in general (long-term, day-ahead, intraday, and balancing). However, there is no information whatsoever in Chapter 1 that outlines the vast implementation pipeline TSOs, RCCs and NEMOs are accommodating to enable the integration of European electricity markets.

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.

Firstly, it has to be pointed out that Electricity Regulation is not using a “target” terminology.

Secondly, Electricity Regulation foresees several reasons to derogate or deviate from the 70% rule, justified in the legal text by the need to ensure the operational security of the grid. This is indeed required since the rule is artificial and arbitrary. TSOs have the legal duty in the very same regulation to reconcile it with physical reality.

Thirdly, this duty does not stop in 2026. Derogations can continue to apply in certain circumstances, also from 2026 onwards. This is especially relevant when dealing with externalities i.e. excessive loop flows:






- They are not alleviated through the implementation of action plans;
- It has not been proven that solely through bidding zone reconfiguration they can be alleviated to the extent required to fulfil the 70% rule.

Last but not least, the learnings from the concrete implementation show that the so-called validation adjustments will also be part of the game to fulfil this duty.

To conclude: Elia is convinced that 70% as a target will remain a pipe dream.

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?

See previous answer.

In addition, there is a fundamental debate to have on how 70% regulation is driving grid investments. In Elia’s view we should not decide grid investments to fulfil a specific assumption of the current market model (70% rule). Grid investments should be anticipatory and physically driven. The 70% rule however foregoes the logic of societal value creation and pursues an outdated firm access investment approach, over-incentivizing internal grid investments and dis-incentivizing interconnectors:

- Internal grid: market exchanges have to be offered firm access, irrespectively of whether the market needs it or not. Should TSOs really invest in the grid to keep at every moment the internal flow below 30%?
- Interconnectors: the societal value of a new interconnector is overshadowed by the challenge of offering 70% firm access to the market in combination with internal flows and loop flows. As a result, TSOs may cancel/delay investments in interconnectors whilst pursuing the strengthening of their internal grids.

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

Our vision on the 70% requirement has been elaborated in the previous answers.

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.

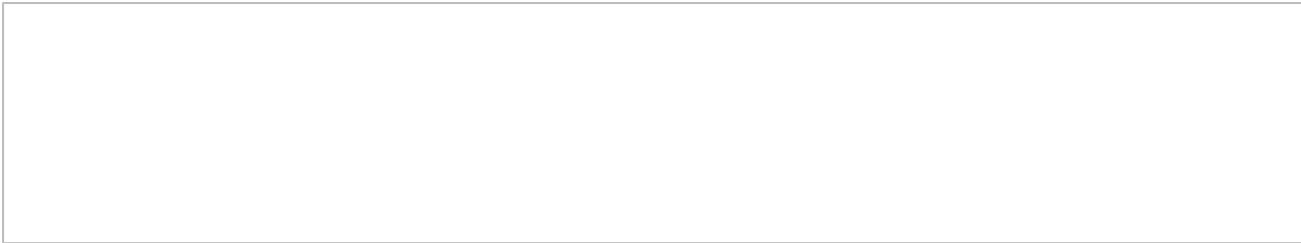
Our experience, first in CWE and now in Core, is that TSOs publish and report a vast amount of information, including on the application of validation adjustments.

Albeit these validation adjustment being justified by TSOs, it poses a challenge in terms of transparency as it is very difficult to foresight and most likely too complex to be reproduced by market parties. This is a direct consequence of the 70% rule inducing the use of virtual capacity, hereby turning the validation step into a shadow capacity calculation process. Elia expects this challenge to further increase the coming years as more virtual capacity is to be added and an additional layer of validation (coordinated validation adjustments) is to be implemented to manage it.

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.



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.

As the high prices were observed pretty much everywhere throughout Europe, it was not a matter of lack of cross-border transmission capacity but a matter of high gas prices being a dominant factor in the European merit order.

Elia thus agrees with ACER's observation in ACER's 2022 assessment on the EU wholesale market design that "The current electricity market design is not to blame for the current crisis. On the contrary, the market rules in place have to some extent helped mitigate the current crisis."

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 consequence of using 70% as a political instrument in an attempt to manage undue discrimination indeed leads to the massive application of redispatch after the market.

Electricity Regulation allows individual Member States to adopt this pay approach, yet it creates massive "collateral damage":

- Everyone is faced with a requirement that is – to put it mildly – not incentivizing to build and operate the system to achieve a techno-economic optimum.
- The market and physics are drifting away from each other. Virtual capacity is becoming a dominant factor and this is not an efficient way to manage congestion.
- The DA market price signal gets distorted

This model is not scalable to a system characterized by larger and more volatile power flows, which inevitable goes hand in hand with EU's decarbonisation and offshore ambitions.

Conclusions

Any other comment

Elia would like to thank ACER for organizing a consultation around this vitally important topic. Elia is strongly convinced that we are at a pivotal moment to reshape the future of European's zonal market model and make it fit to speed up decarbonisation.

Elia therefore calls upon policy makers to re-open the Electricity Regulation to find something better than the 70% rule. Elia has no preconceived view on what this better approach should be yet believes it should consider following ingredients:

- A zonal model where the market is better reflecting physical constraints;
- A better governance to discuss and decide on bidding zone delineation;
- A solution to find the right balance between priority for intra-zonal trades (a natural feature of a zonal market!) and not unduly discriminating cross-zonal trades.

Elia remains committed to contribute to this debate.

Contact

[Contact Form](#)