

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

Please specify

* 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?

Explain the differentiation of core and non core. It may be helpful to explain the basic concepts more thoroughly, as for instance in this Swiss document: <https://www.swissgrid.ch/dam/swissgrid/about-us/newsroom/positions/20220112-Factsheet-70-Prozent-Kriterium-en.pdf>

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.

The use of existing capacity is unsatisfactory, and will inflate European wide system costs and impede least cost integration of renewables necessary to meet our decarbonisation commitments.

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.

Progress is very disappointing, and the minimum 70% target of interconnection capacity is still far off for many cases.

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	



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

The absence of a clear impetus to introduce more granularity by location in price formation.

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

More granular locational price signals, such as bidding zone adjustments, or the introduction of nodal pricing.

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.

ACER's monitoring reveals that validation reductions are structurally applied by some TSOs which may not necessarily disclose all the information required for a detailed assessment of their justification.

Moreover, the different methodologies for assessing the need for validation adjustments are not transparent nor harmonized across all Core TSOs. (In these assessments, it is critical that security limits of internal network elements that are not sensitive to cross-zonal exchanges do not lead to validation adjustments, and that all available remedial actions, both costly and non-costly, are considered.)

Transparency will increase when all Core TSOs harmonise the data provision by using the available common tool for MACZT data reporting, which is in line with the above-mentioned Recommendation. ACER might include in the executive summary in future a list of parties that fail to provide timely delivery of necessary data, as well as parties that have made notable improvements.

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.

If used efficiently - which ACER's report shows requires work - then yes it could have played a substantial role in mitigating the worst effects of the crisis, noting quite significant price dispersions within Europe.

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.

Redispatch costs will rise quickly with potential to surpass benefits if zones are not adjusted, or even better LMP introduced.

Conclusions

Any other comment

Facilitation of the energy transition requires full deployment of all sources of non-fossil flexibility to cost-efficiently integrate variable renewables. This includes support for and fair market access for demand side flexibility and storage. But it very much also includes full use of the flexibility offered by cross-border interconnections. These are currently underused.

More granular zones or ideally locational marginal pricing will help in providing clear signals for where grid solutions are required.

In the meantime, MSs must do better in devising and implementing national plans, that alleviate grid congestion and must provide information required. As CAN Europe note, 2024 is key towards reaching the 70% rule, as derogations and exemptions will phase out. ACER should work with NRAs to ensure the target is met on all interconnectors and with a perspective of further increasing the capacity available to the market closer to 100%. ACER and NRAs, together with TSOs, need to take steps solving the underlying reasons for missing the target.

Note also Thema research suggesting a need to make the distinction between structural and virtual increases in trade capacity more prominent in the legislative framework surrounding the 70 percent rule: whereas structural increases in trade capacity can support more efficient dispatch and therefore increased welfare, compliance that is based on the persistent use of remedial actions is, at best, going to incur countertrade and remedial costs that offset the welfare gains of 'virtual' trade. At worst, the use of virtual capacity will induce suboptimal dispatch, increase security of supply risks and trigger a range of inefficient market behaviour based on distorted price signals.

Contact

[Contact Form](#)

