WEBINAR
Monitoring cross-zonal electricity capacity & emergency measures

Wednesday, 06.09.2023
10:00 - 12:00 CET
Online
# Agenda

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<tr>
<th>Time</th>
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<td>09:45 – 10:00</td>
<td>Webinar open for log-in</td>
<td>Starts promptly at 10:00</td>
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<td>10:00 – 10:05</td>
<td>Introductory Remarks</td>
<td>Christophe GENCE-CREUX, ACER</td>
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| 10:05 – 10:55 | First topic: Cross-zonal Capacities | - Presentation  
- Panel Discussion  
- Q&A |
| 10:55 – 11:00 | Break | |
| 11:00 – 11:50 | Second topic: Emergency Measures | - Presentation  
- Panel Discussion  
- Q&A |
| 11:50 – 12:00 | Closing Remarks | Christian ZINGLERSEN, ACER |
Housekeeping rules

Questions shall be posed using the Slido tool within Microsoft Teams

Use direct link: https://app.sli.do/event/exDvYJ5dm9ZuyQvcGrNxoF

Keep your microphone muted unless the chair gives you the floor

Questions from other participants can be ‘liked’ to increase their visibility

Slides from this webinar will be uploaded to ACER website

Substance-related questions will be addressed during the relevant Q&A session; although they can be posed at any point
Introductory remarks

Christophe GENCE-CREUX - ACER
Cross-zonal capacities

Moderator: Nico Schoutteet - CREG
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<tr>
<td>10:05 – 10:20</td>
<td>Presentation of the report</td>
<td>Presenter: Ignacio MUNIOZGUREN GARCIA, ACER</td>
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<td>10:20 – 10:55</td>
<td>Panel discussion and Q&amp;A session</td>
<td>Marco PAVESI, ACER</td>
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<td>Chiel BAKKER, IFIEC Europe</td>
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<td>Leonardo MEEUS, Florence School of Regulation (FSR)</td>
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<td>Elaine O’ CONNELL, European Commission</td>
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Presentation of the report:
‘Cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)’

Ignacio MUNIOZGUREN GARCIA - ACER
Why cross-zonal capacity matters

- Maximising cross-zonal capacities is a **prerequisite** for a **well-functioning** European **electricity market**.
- This has been emphasised by the energy **crisis of 2022***, where **cross-zonal trade** played a fundamental role in:
  - Mitigating price volatility across the EU.
  - Ensuring security of supply.
  - Enhancing the integration of RES.
  - Providing flexibility to the market.

The 70% target enables the most efficient use of the available physical interconnection capacity.

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*Balinic price spike, 17 August 2022*

Hourly variations in load, import capacity and day-ahead price in the Baltic region on 17 August 2022 (MW, MW and EUR/MWh, respectively)

*For further information on the role played by cross-zonal capacities in the electricity market, please refer to Chapter 3.3 of the publication ‘ACER’s Final Assessment of the EU Wholesale Electricity Market Design’*
Different stages of implementation

- In monitoring 70%, ACER applies a **common methodology** to all Member States, allowing to assess the actual progress towards the target.

- Across the EU, the **picture of the fulfilment of the 70% target varies significantly**:
  - Large number of action plans and/or derogations still apply.
  - Different stages of implementation of regional capacity calculation methodologies.

- Implementation of flow-based market-coupling in the **Core region** allowed for a harmonized application of the MACZT targets.

  Few Member States fully reach the 70% target today.

### Derogations and action plans

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<th>Derogation(s)</th>
<th>Action plan</th>
<th>Derogation(s) &amp; an action plan</th>
<th>None</th>
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<td>Action plan</td>
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*MACZT = Margin Available for Cross-Zonal Trade*
Barriers to 70% fulfilment

- Reasons for most **derogation requests** persist:
  - Loop flows
  - Insufficient remedial action potential
  - Lack of cost-sharing mechanisms

- **Validation adjustments** are used extensively across the different CCRs and can have significant **market impact**.

- **Allocation constraints** have effectively precluded cross-zonal trade in certain bidding-zone borders.

**Significant barriers to the achievement of the 70% target remain across the EU.**

**Uneven level of 70% fulfilment**

- Percentage of hours when the minimum 70% target was reached in the Core CCR

**MACZT = Margin Available for Cross-Zonal Trade**
Maximal availability of cross-zonal capacities is a prerequisite for the green transition and the EU’s immediate energy objectives.

Few Member States fully reach the 70% target, and doing so will become increasingly difficult in the coming years.

Lifting both internal and cross-zonal congestion is key to achieving the 70% target. ‘All tools in the toolbox’ need to be exploited:

- Expedite grid investment; and
- Enable the use of all available remedial actions; and
- Where not sufficient (or cost-efficient), take on an ambitious bidding zone review; and
- Implement flow-based to large, meshed, coordination areas.

A common methodology for all Member States is necessary when performing monitoring, as it enables the comparison on an equal footing.
• ACER would like to invite all relevant stakeholders to have their say in the topic via the on-going public consultation, which will run until the 15 of September:

https://surveys.acer.europa.eu/eusurvey/runner/ACER_Cross_zonal_capacities_2022

• Based on the inputs collected and the results of the monitoring exercise, ACER will issue a formal Opinion on its outlook of the fulfilment of the 70% target.
Panel discussion

Chiel BAKKER - IFIEC Europe
Leonardo MEEUS - Florence School of Regulation (FSR)
Elaine O’ CONNELL - European Commission
Panel discussion

What is at stake if the EU falls short of the minimum 70% capacity target?

ACER’s report shows insufficient progress towards this target. What are the main barriers preventing EU Member States from moving forward?

What are the necessary steps to ensure the target is met in all EU Member States by 1 January 2026?
Q&A session

Marco PAVESI - ACER
Chiel BAKKER - IFIEC Europe
Leonardo MEEUS - Florence School of Regulation (FSR)
Elaine O’ CONNELL - European Commission
Break 🎅
Emergency measures

Moderator: Csilla BARTOK - ACER
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<td>11:00</td>
<td>Presentation of the report</td>
<td>Christina BRANTL, ACER</td>
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<td>11:15</td>
<td>Panel discussion and Q&amp;A session</td>
<td>Thomas QUERRIOUX, ACER, Jaume LOFFREDO, BEUC, Georg ZACHMANN, Bruegel, Elissavet KAZILI, European Commission, Elena DONNARI, European Commission</td>
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**Moderator:** Csilla BARTOK, ACER
Presentation of the report:
‘Assessment of emergency measures in electricity markets’

Christina BRANTL - ACER
Categories of 2022 emergency measures referenced by ACER

- Inventory of measures published in March*
- Main objective of measures were **affordability** and **security of supply**.
- Report analyses the measures considering these short-term goals, but also long-term regulatory goals.
- Main aim of this report: Reflections on impact of emergency measures, especially assessing **trade-offs** as the basis for future approaches.

Several interdependencies, merits, and drawbacks between measures:

- Emergency measures were mainly implemented to ensure **affordable energy** for end consumers.
- Measures targeting affordability through **direct support** or market intervention **thwart long-term regulatory goals** and are costly.
- Energy saving, and risk preparedness are **‘no-regret’ measures**.
- Primary fuel supply substitution may have long-term **negative effects on the energy transition**.
- No measures targeted market integration or had a positive effect on it.

**Careful consideration of measures needed.**

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<td></td>
<td>Primary fuel supply</td>
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<tr>
<td>End consumers</td>
<td>NA</td>
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<tr>
<td>Security of supply</td>
<td>+</td>
</tr>
<tr>
<td>Efficiency and demand response</td>
<td>/</td>
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<tr>
<td>Energy transition and investment signals</td>
<td>-</td>
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<td>Market integration</td>
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Note: Each cell clarifies if the measure contributes (+), is neutral (/) or hampers (-) the achievement of a given goal. The values are qualitative and relative and should therefore not be interpreted through an arithmetic sum. (*) marks the most negative of possible outcomes, depending on the characteristics of measures within the category considered. The last row provides a comparative assessment of the cost of the measure, from comparatively less costly (€) to the costliest (€€€€€).
In the short term, emergency measures shielded end consumers from price shocks

- **Wholesale electricity prices peaked, but** emergency measures mitigated the increase in retail prices.

- **Fiscal costs** of household support measures in 2022 and 2023 reached up to 5.56% of GDP for some member states.

- **Targeted measures**: Less than a quarter (23%) of these costs.

- **Attention needed going forward**: Household electricity prices drop at a slower rate than the wholesale prices.

Reduction of retail prices was achieved at high costs.

**Effect of emergency measures on retail prices – EU-27, June 2021 – April 2023 (% and EUR/MWh)**

Sources: Bruegel, IEA, IMF, VaasaETT
In 2022, **market integration projects** continued as in previous years.

Emergency measures did not lead to export or import restrictions.

Market integration mitigated some of the effects of the energy crisis. This includes **softening of price spikes** through cross-border trading.

Cross-border trade leads to an effect of emergency measures across the border:

- After the introduction of a price cap in Spain, exports from Spain to France increased. As France was facing scarcity these trades ensured the resilience of the system.

**Cross-border trading helped to soften the blow of the crisis.**
Lessons for the future

Emergency situations call for **trade-offs and compromises**, however, some approaches outperform others.

Measures to shield end-consumers should be **TEMPORARY, TARGETED, TAILORED**.

Balancing choices during a crisis: **prioritising Energy Savings and Risk Preparedness**.

In an interdependent system, **coordination trumps fragmentation**.
Panel discussion

Jaume LOFFREDO - BEUC
Georg ZACHMANN - Bruegel
Elissavet KAZILI - European Commission
Elena DONNARI - European Commission
Panel discussion

What strikes you in the objectives of the emergency measures Member States were pursuing in response to the crisis?

What is your main takeaway from this period of crisis?

What would be your main message to policy makers to better face future crises?
Q&A session

Connect to Slido

- Directly in MS Teams
- Through www.slido.com #MMR
- Scan QR code
- Use direct link:
  https://app.sli.do/event/exDvYJ5dm9ZuyQvcGrNxoF

Thomas QUERRIOUX - ACER
Jaume LOFFREDO - BEUC
Georg ZACHMANN - Bruegel
Elissavet KAZILI - European Commission
Elena DONNARI - European Commission
Closing remarks

Christian Zinglersen - ACER
Looking back: An energy crisis which carries lessons

Europe’s integrated electricity market proved resilient during the crisis, bringing multiple benefits – e.g. enabling renewables, ensuring security of supply, mitigating price volatility and providing flexibility.

Looking ahead: Centrality of the 70% raises the stakes

Maximising current grid capacity for trading with neighbours + adding new capacity = prerequisites for vast renewable regional hub ambitions

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.

Don’t forget to share your views!

PC_2023_E_08 - Public Consultation on the ACER electricity cross-border capacity report

Closes: 15 September 2023
Thank you.
In case of follow-up questions on the reports, please reach out to us: ewpmm@acer.europa.eu

The contents of this document do not necessarily reflect the position or opinion of the Agency.