

WEBINAR

Monitoring cross-zonal electricity
capacity & emergency measures

Wednesday, 06.09.2023

10:00 - 12:00 CET

Online



AGENDA		
09:45 – 10:00	Webinar open for log-in	Starts promptly at 10:00
10:00 – 10:05	Introductory Remarks Christophe GENCE-CREUX, ACER	
10:05 – 10:55	First topic: Cross-zonal Capacities <ul style="list-style-type: none"> • Presentation • Panel Discussion • Q&A 	
10:55 – 11:00	Break	
11:00 – 11:50	Second topic: Emergency Measures <ul style="list-style-type: none"> • 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

Moderator: Nico SCHOUTTEET, CREG	
10:05 – 10:20	Presentation of the report Presenter: Ignacio MUNIOZGUREN GARCIA, ACER
10:20 – 10:55	Panel discussion and Q&A session Panelists: Marco PAVESI, ACER Chiel BAKKER, IFIEC Europe Leonardo MEEUS, Florence School of Regulation (FSR) Elaine O' CONNELL, European Commission

Presentation of the report:

‘Cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)’

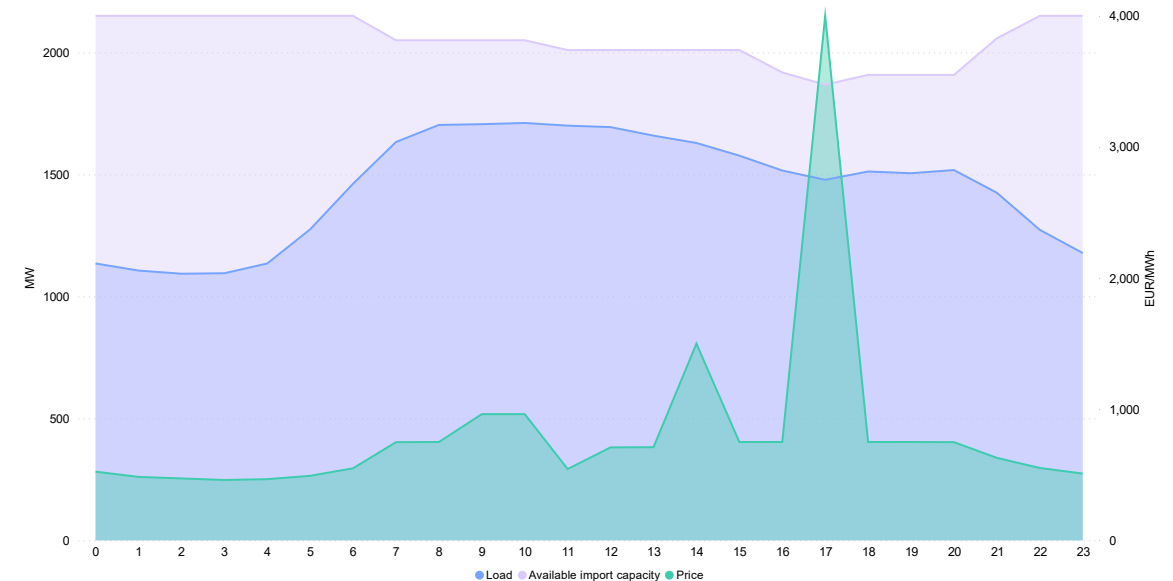
Ignacio MUNIOZGUREN GARCIA - ACER

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.

Baltic price spike, 17 August 2022



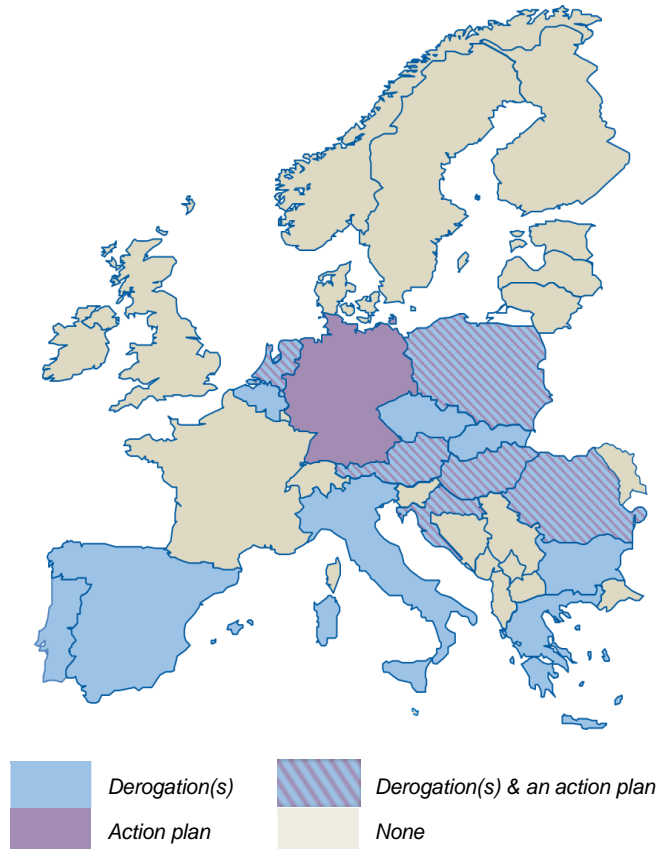
Hourly variations in load, import capacity and day-ahead price in the Baltic region on 17 August 2022 (MW, MW and EUR/MWh, respectively)

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.

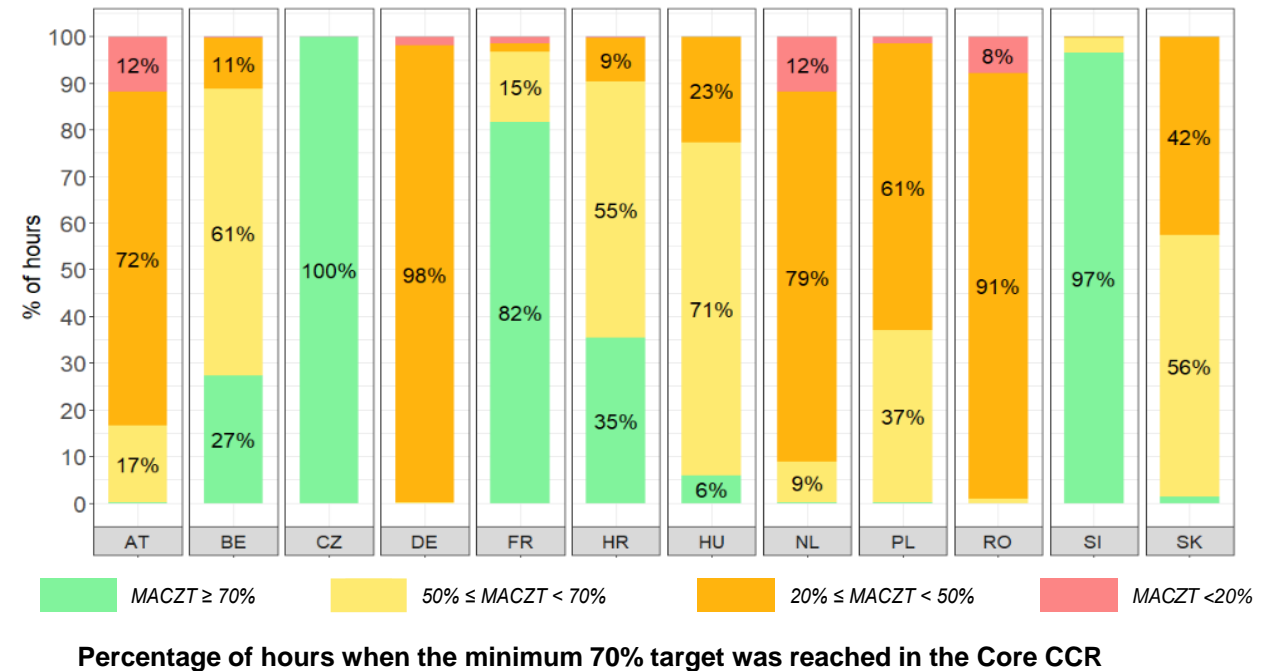
Derogations and action plans



- 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





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.*



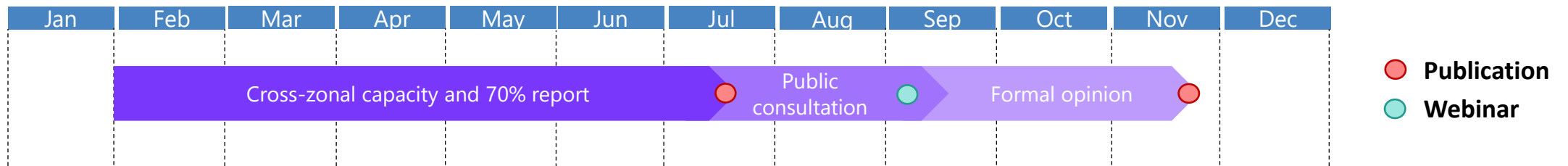
A common methodology for all Member States is necessary when performing monitoring, as it enables the comparison on an equal footing.

- 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

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?

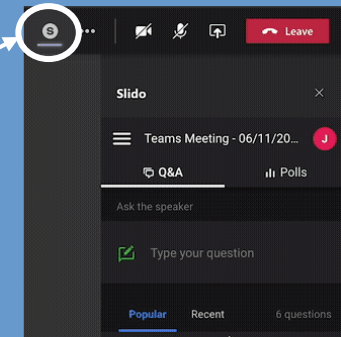
What are the necessary steps to ensure the target is met in all EU Member States by 1 January 2026?

Q&A session

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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

Moderator: Csilla BARTOK, ACER	
11:00 – 11:15	Presentation of the report Presenter: Christina BRANTL, ACER
11:15 – 11:50	Panel discussion and Q&A session Panelists: Thomas QUERRIOUX, ACER Jaume LOFFREDO, BEUC Georg ZACHMANN, Bruegel Elissavet KAZILI, European Commission Elena DONNARI, European Commission

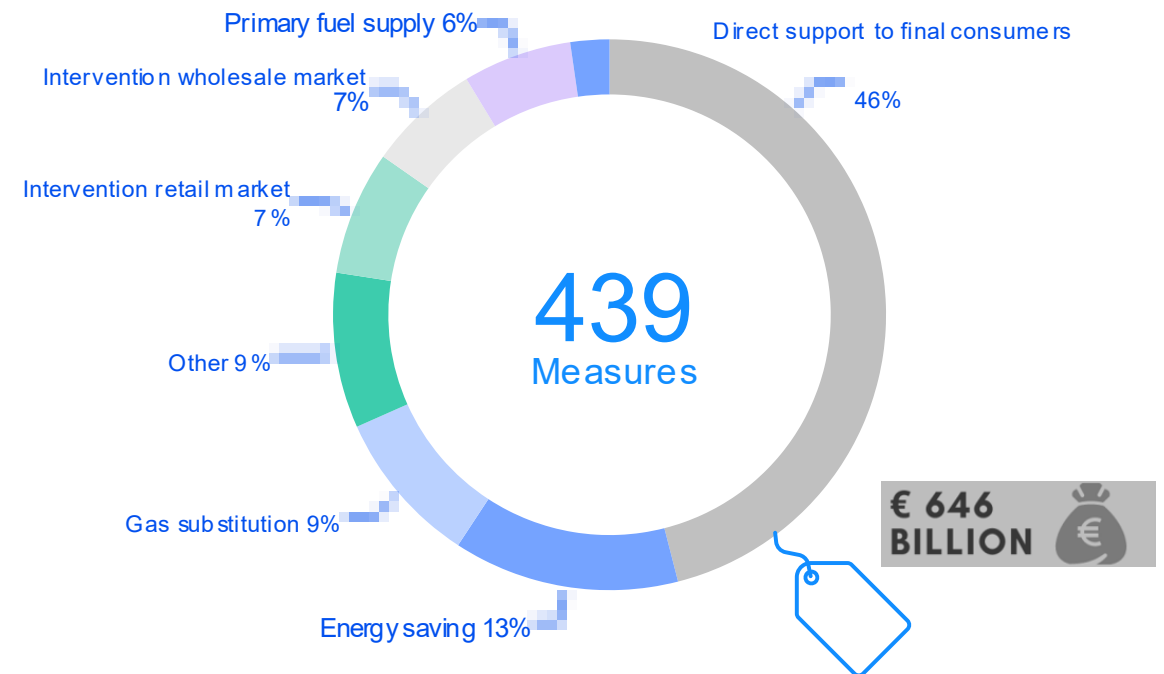
Presentation of the report:

‘Assessment of emergency measures in electricity markets’

Christina BRANTL - 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.

Categories of 2022 emergency measures referenced by ACER



Emergency measures entail compromises

Qualitative analysis of the contribution of measures to the achievement of regulatory goals

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.

Measures Regulatory goal	Measures						
	Primary fuel supply	Gas substitution	Energy saving	Risk preparedness	Direct support to end consumers	Intervention retail market	Intervention wholesale market
End consumers	NA	+	+	NA	+	+	+
Security of supply	+	+	+	+	-	-	-
Efficiency and demand response	/	/	+	/	-	_*	_*
Energy transition and investment signals	-	_*	+	+	-	-	-
Market integration	/	/	/	/	/	-	-
Cost	See upcoming ACER report	€	€	€	€€€€€	€€€	€€

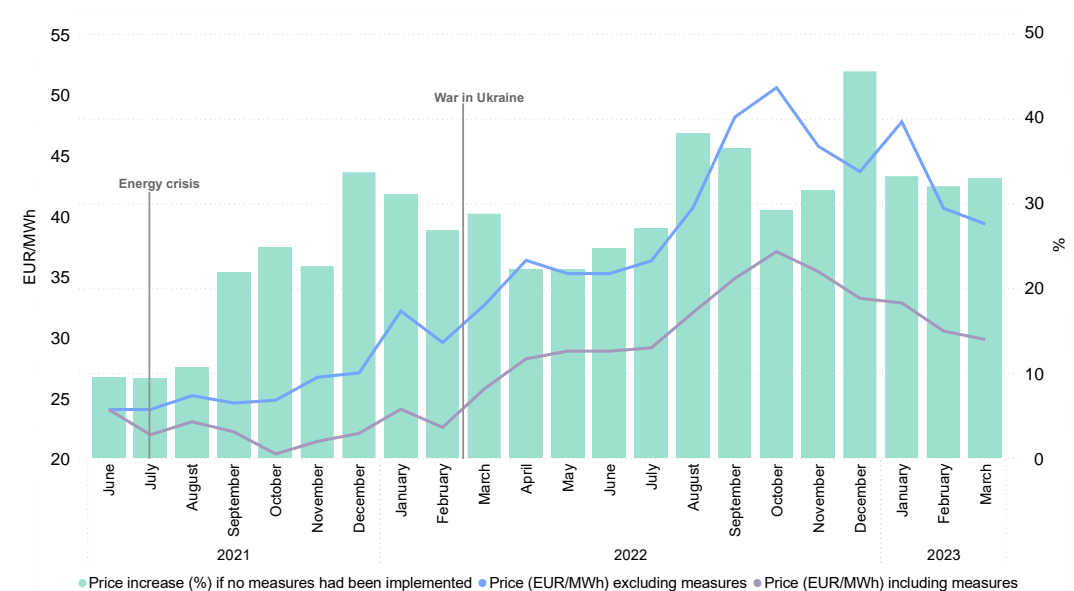
Note: Each cell clarifies if the measure contributes (+), is neutral (/) or hampers (-) the achievement of a given goal. The values are qualitative and relative and should therefore not be interpreted through an arithmetic sum. (*) marks the most negative of possible outcomes, depending on the characteristics 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.

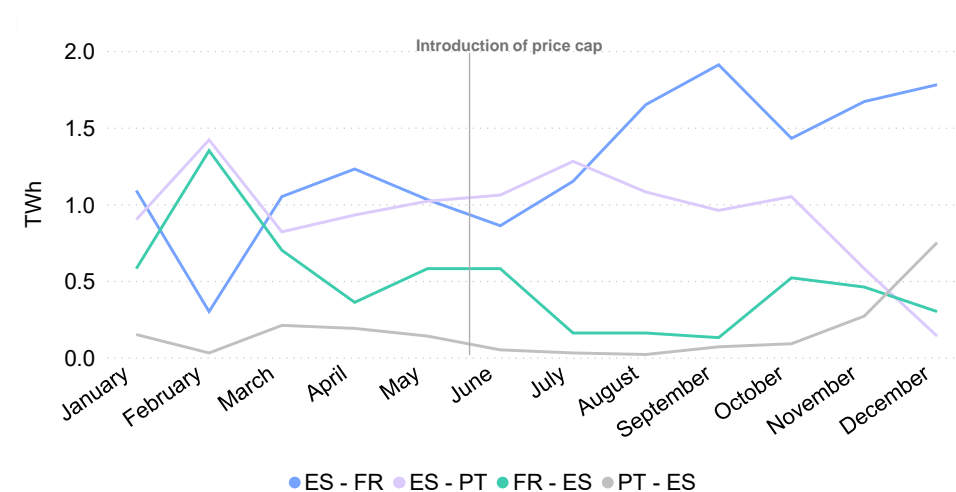
Effect of emergency measures on retail prices – EU-27, June 2021 – April 2023 (% and EUR/MWh)



Cross-border trade during the crisis

- 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.

Evolution of total monthly commercial exchange on the borders of Spain, 2022 (TWh)



Cross-border trading helped to soften the blow of the crisis.



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

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?

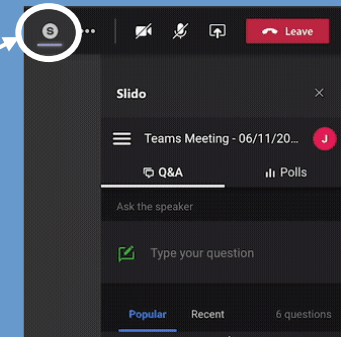
What would be your main message to policy makers to better face future crises?

Q&A session

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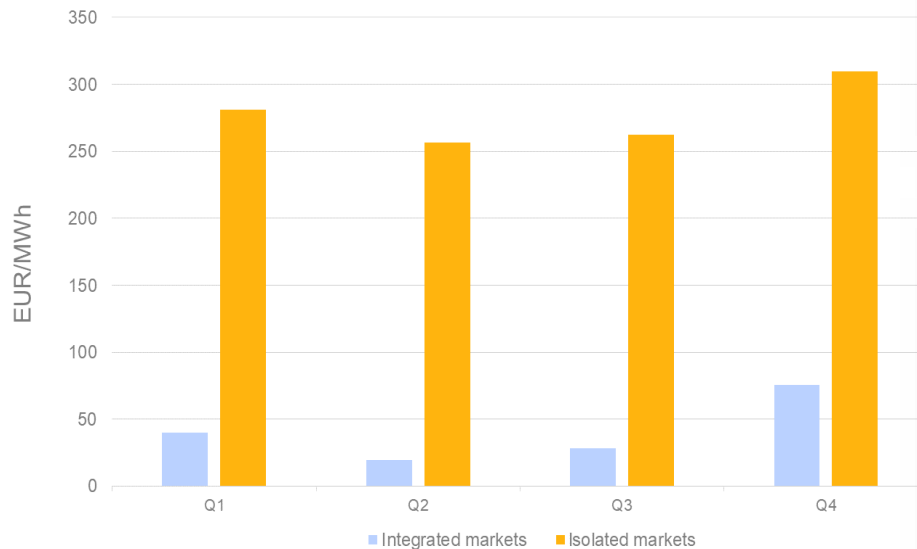


Closing remarks

Christian Zinglensen - ACER

Looking back: An energy crisis which carries lessons

Price volatility in integrated and isolated electricity markets in the EU, 2021 (EUR/MWh)

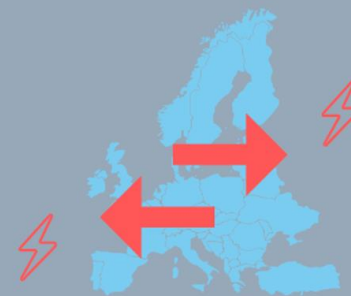


Every EU country adopted emergency measures to mitigate the energy crisis. In total, EU Member States spent up to

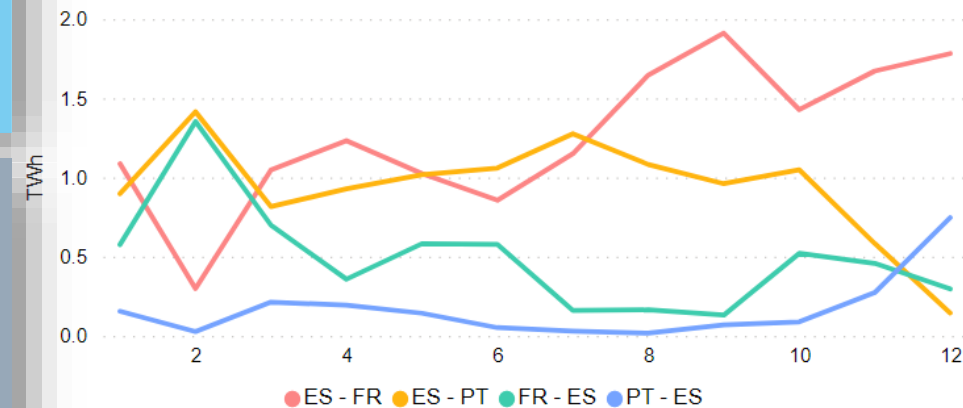
€ 646 BILLION 

on emergency measures in 2022, based on the Bruegel dataset.


Sufficient capacity for cross-border trading ensures the resilience of the energy system during crises, supporting efficient energy flows.



Evolution of total monthly commercial exchange on the borders of Spain, 2022 (TWh)



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.

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.

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.




Malta and 8 EU countries agree to collaborate in acknowledging the Mediterranean as green energy hub

Thursday, 18 May 2023, 17:03 | Last update: about 1 day ago

Nine European countries meet in Ostend to increase wind energy in the North Sea

Nine European countries have come together to accelerate the decarbonization of the continent by increasing their North Sea wind power capacity tenfold, with a target of 120 GW in 2030 and 300 GW in 2050, requiring colossal investments and significant political and industrial coordination.



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.



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of Energy Regulators

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