

ENTSO-E
Attn. Konstantin Staschus

Sent by mail: konstantin.staschus@entsoe.eu

Your reference
Our reference MPP-2016-00022
Handled by Ruud Otter
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Date 17 November 2016

Subject Efficiency criteria for study on bidding zone review

Dear Mr Staschus,

The Market Parties Platform (MPP) welcomes ENTSO-E's task force's efforts on the bidding zone review (BZR) process stipulated in the GL CACM. The MPP has always been supporting the target model for a single integrated European Electricity Market, as laid down in the CACM and has urged for market based solutions and well-functioning wholesale markets. Since the MPP cooperation covers the CWE region our members particularly interested as this region is in the heart of Europe. Therefore, we have been contributing to this process from the beginning.

Since significant progress has been made regarding the technical and grid side of the BZR analysis and the next steps like scenario calculations are due in the upcoming months, MPP is concerned that market aspects may not be considered sufficiently.

Therefore, we would like to urge BZR team to start the required collection, analysis of data and evaluation of calculation results regarding market efficiency criteria in order to move on as soon as possible. In 2013 we have provided a report by Frontier Economics and Consentec to give input to this aspect of the review.

Particularly we would like to stress the following aspects:

- Methods on how to calculate market efficiency as well as according key indicators have to be defined in a timely manner in order to meet the tight schedule.
- Moreover, ENTSO-E conducted a survey on criteria and indicators for market efficiency over the last summer and received viable feedback from stakeholders. This input and the suggested indicators therein should be the basis for the obligatory market efficiency evaluation. As an example the bid/ask spread might be often controversially discussed and is nevertheless used by many practitioners for e.g. the definition of compliance rules regarding the influence on markets and in which



markets trading is allowed. Therefore, existing indicators raised by market participants should be taken into account.

- Data collection and analysis should be started as soon as possible to meet the tight deadlines foreseen in the BZR. Hence, speeding up the process by using existing data is essential. Therefore, the MPP suggests that ENTSO-E raises a request for data to the respective institutional bodies already collecting data for REMIT purposes, namely ACER and the national equivalents.

Please don't hesitate to contact us for clarification of our points.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Ruud Otter', written over a horizontal line.

Ruud Otter

Chairman Market Parties Platform

A copy of this letter has been send to:

- ACER
- Pentilateral Energy Forum