

To PLEF Ministries – SG 1 Coordinators
From The Market Parties Platform
Date 21 February 2018

Subject: Market parties' concerns on the DE/AT Bidding Zone split

Dear government coordinators of the Pentilateral Energy Forum,

Following the announcement in May 2017 that the Germany-Austria bidding zone would be split in two as of October 1st, 2018, the members of the Market Parties Platform (MPP) have been closely following the developments of the project.

As of today, the Market Parties Platform is still very much concerned by the lack of information and visibility provided to market participants on such structural change, which will affect the whole CWE region.

The MPP welcomed the stakeholder workshop in Vienna, on November 24, which was asked for by the MPP member associations Oesterreichs Energie and BDEW. But despite this stakeholder workshop in Vienna at the end of November 2017 and the publication of a high-level Q&A, several key questions remain unanswered, thereby creating major risks for the implementation of the bidding zone split by October 1st this year. The last upload to the JAO website of documents about this major project has been on November 25, 2017.

Furthermore, the Market Parties Platform considers that the choices to be made for the bidding zone split will not only have an impact on cross-border trade between Germany and Austria, but have strong implications for the electricity market design in the CWE region and beyond. The MPP is worried that the concerns which are now voiced by many stakeholders, including several NRAs, were not sufficiently taken into account when the ACER decided it would be necessary to split the DE/AT bidding zone.

Already now, the Market Parties Platform would like to point out the dramatic loss of liquidity in the PHELIX forward market. This has detrimental effects on the hedging ability of the entire region, which so far are left unaddressed.

The Market Parties Platform is therefore calling on the parties to the bidding zone split project to provide clarity as soon as possible on the key issues described below. The MPP would also like the topic to be discussed at regional level, in particular within the PLEF.

Yours sincerely,

Antoine Guillou
Chairman of the Market Parties Platform

Key issues where clarity is required:

- BNetzA and E-Control have agreed in a bilateral agreement that 4.9 GW of capacity would be allocated as long-term allocation rights, starting in October 2018: how will this threshold be taken into account in the regional capacity calculation methodology, and how will it affect available capacities on other borders? Is the countertrading and redispatching capacity in Austria sufficient to ensure such capacity level? How will this bilateral agreement be considered in the cost sharing methodology for coordinated redispatching and countetrading?
- When will the decision be taken on whether a Flow-Based or an NTC approach will be implemented? If NRAs cannot come to an agreement, will it jeopardise the starting date of October 1st, 2018? If an NTC approach is chosen, what will be the target date for evolving to the target model, ie flow-based?
- Regarding long-term transmission rights, we would like to point out that the CORE TSOs' proposal or any CORE NRAs' decision on this proposal does not overrule BNetzA/E-Control's decision to implement PTRs as of October 1st, 2018. Therefore it should be clarified that – as it was expressed by TSOs/NRAs at the stakeholders' conference on 24 November 2017 – PTRs will be implemented as of October 1st, 2018.
- Regarding balancing, TSOs have only indicated that the objective is “to maintain as much as possible the current arrangements”: this implies there could still be some changes. More detailed information on where possible changes could still happen and what are the possible options is thus absolutely necessary.
- TSOs indicated in their responses to the Q&A that parallel runs are still under consideration – When will a decision be taken whether a parallel run will be conducted? What, where and when will all the necessary information on the parallel run be provided to market participants? Will FBMC parameters and Net exchange positions for DE, AT, NL, BE, FR be published to market participants during the parallel run? The members of the MPP underline that unless its framework is properly defined, there is a risk that the parallel run will not provide robust insights, even if market participants place their bids in the correct control area, because the magnitude of the change is such that the price structure after the split will be fundamentally different.