

Date: 09/03/18

Subject: MPP answer to the consultation on the first edition of the bidding zone review

The Market Parties Platform (MPP) welcomes this opportunity to comment on a crucial topic for the European electricity market and the CWE region in particular.

The MPP would like to recall that any change in the bidding zone configuration not only has a major economic and financial impact for the assets located in the concerned zones, but any reconfiguration also creates very significant transaction costs for all market players. In the absence of a robust evaluation methodology and sound results, the MPP therefore deems appropriate the TSOs' recommendation not to change the current configuration at this stage.

In view of potential future exercises, the MPP would however like to issue several key (and not exhaustive) recommendations:

- Given the economic impacts of any potential change in the bidding zone configuration, even the review process itself creates significant uncertainties and therefore risks for market players. The bidding zone review should therefore not be launched automatically, but only when there is a justification to do so, backed with appropriate evidence and indicators.
- Given that the 15 months duration foreseen by the CACM network code is very short for such a crucial topic, the MPP deems absolutely necessary that the modelling and evaluation methodology are tested and proved to be robust before any review process is officially launched. In particular, the model should be backtested and proved to be robust with past data.
- Should the “expert-based approach” be used in any future review, the MPP underlines that scenarios and configurations to be studied should not be chosen arbitrarily. To identify what are the scenarios that should be studied, a set of “screening indicators” should be developed ex ante (e.g. location of congestion justifying a limitation of cross-zonal exchanges through DA coupling, or the use of remedial actions in the IntraDay time frame). In any case, each bidding zone reconfiguration (merging and splitting) proposal should be studied one by one. Scenarios combining several reconfigurations can indeed encompass very different trends: the overall impact on social-economic welfare could be positive, but several of the reconfigurations included in the scenario could still have a negative impact taken individually. If each proposal is not studied independently from the start, the MPP considers that at least each scenario showing an overall positive impact on social welfare should then be broken down into sub-scenarios, where the impact of each reconfiguration would be studied independently.



- Regarding the criteria to be used to assess the various bidding zone review scenarios, the MPP considers that the provisions of the CACM network code do not mean that each of the criteria listed in the code should be assessed one by one or on equal footing, as some could be redundant (and could therefore be assessed jointly) or less relevant than others.
- Finally yet importantly, the MPP underlines the crucial need for increasing the transparency of the bidding zone review: the definition of scenarios, the modelling approach and the evaluation criteria should be discussed with stakeholders in details, in a fully transparent way. This could notably mean organising separate consultations on these three core methodological elements before any new bidding zone review is officially launched. A dedicated website should be created, so to make all documents available to all parties, providing information at the same time and on equal level to all market participants throughout the process. Stakeholders should also have sufficient time to give feedback in all public consultations.