

EURELECTRIC fears regression in the electricity market integration due to the splitting of price zones

10/07/2015

With the Energy Union prioritising “a fully-integrated internal energy market” where “energy should flow freely across the EU - without any technical or regulatory barriers”, EURELECTRIC draws the attention of policy makers to current activities that might hamper cross-border electricity trading by splitting areas currently having one electricity price, the so-called bidding zones (BZ). ¹

ENTSO-E’s current bidding zone review considers mainly scenarios with more bidding zones than currently existing, while ACER has been asked to analyse the splitting of one of the very few cross-border zones, between Germany and Austria. “These developments split markets rather than unifying them and thus, indicate a step back in market integration”, said EURELECTRIC Secretary General Hans ten Berge.

EURELECTRIC cautions against reducing the size of existing bidding zones. Member states and TSOs should primarily work on the integration of system operation to make sure that the network is operated as one. Furthermore, they should promote grid reinforcement and/or development as infrastructural solution to congestion, rather than shifting the congestion problem to the market. Even though larger bidding zones across national borders require more efforts from TSOs, they present significant advantages compared to smaller bidding zones if sufficient interconnection capacity exists.

EURELECTRIC believes that reducing/splitting existing bidding zones should only be considered in case of structural congestions. In such cases, reviewing bidding zones should follow a detailed cost-benefit analysis and impact assessment and should only be considered where other means are no longer adequate or feasible. While EURELECTRIC appreciates in general the review because current zones are often based on country borders and not on physical reality we would like to see more focus on making sure that market efficiency and the market liquidity aspect are the main drivers behind it.

In addition, EURELECTRIC believes that the process for the definition of bidding zones should be transparent and ensured by proper involvement and consultation of market participants. EURELECTRIC is fully committed to further assist the ENTSO-E bidding zone study, support the on-going analysis and provide expertise on the understanding of market efficiency.

¹ Bidding zones cluster nodes of the European transmission network to facilitate electricity trading by simplifying the physical reality of the functioning of the electrical system

This article is also available on our [Website](#)

Should you wish to unsubscribe click [HERE](#) to log in to your profile. Then click on 'Check your services'.