



– Position Paper –

Europex Assessment of the ENTSO-E Main Report on the Bidding Zone Review of the 2025 Target Year

1. Introduction

The “Main Report on the Bidding Zone Review for the 2025 Target Year”, conducted by ENTSO-E, together with the assessment of alternative bidding zone (BZ) configurations in five EU Member States carried out by the relevant Transmission System Operators (TSOs), provides a valuable contribution to the evaluation of potential amendments to the current bidding zone configurations. This paper offers a high-level analysis and assessment of the latest Bidding Zone Review report, highlighting the progress achieved, the degree of transparency and stakeholder engagement as well as key limitations that give rise to several reservations regarding certain findings and conclusions.

2. Progress and Results

The authors of the Bidding Zone Review deserve recognition for the substantial efforts invested in the process and the progress achieved compared to previous reviews. The comprehensive approach and detailed analysis underpinning this review have yielded valuable insights into its underlying assumptions and potential impacts. The application of advanced modelling techniques and the consideration of multiple assessment criteria have contributed to greater clarity and robustness in the findings.

3. Transparency and Stakeholder Involvement

A notable strength of this review is the effort to involve stakeholders through various channels, such as the Bidding Zone Review Consultative Group, the Market European Stakeholder Committee and several public consultations. This inclusive approach has allowed a wide range of perspectives to be expressed, enriching the review process and helping to build trust and foster collaboration among all parties involved.

4. Limitations and Reservations

The authors have rightly acknowledged the limitations and reservations of the review, which contributes to the transparency and credibility of their work. We broadly share their view on the significance of these limitations and would like to elaborate on a few of them below:

- a. Data Basis.** It is important to recognise that the value and explanatory power of the data used in the assessment are inherently limited, given that historical data (looking as far back as 2019) is used to evaluate the target year 2025, while the actual effects of any reconfiguration are likely to materialise primarily in the longer term (i.e., post-2030). Although the use of historical data is unavoidable, future developments and interventions - such as fundamental changes in the power system, consumption, flexibility and grid infrastructure - must be factored into the assessment to significantly improve its accuracy and relevance.
- b. Monetised Benefits vs. Other Criteria.** The review rightly highlights the weaknesses of the ACER methodology, particularly its reliance on monetary assessment as the primary criterion. This narrow focus risks overshadowing other important factors that are equally relevant when evaluating a reconfiguration. Furthermore, the purely economic assessments used are inherently subject to a high degree of uncertainty, yet no accompanying sensitivity analysis is provided to account for this limitation.
- c. Market Concentration and Market Power.** The calculation of Criterion 7 (Market Concentration and Market Power) presents significant issues. The current methodology assumes, by definition, that the effects on wholesale markets and redispatch measures cancel each other out. In our view, this core assumption is flawed and lacks a sound analytical basis, effectively rendering the criterion obsolete from the outset. A more detailed and robust assessment is therefore necessary to ensure meaningful insights into market concentration and power dynamics.
- d. Facilitation of Effective Competition.** The assessment of Criterion 8 (Facilitation of Effective Competition), based solely on the relative difference in standard deviation, is inadequate. It is essential to determine whether the observed differences are statistically significant. A higher standard deviation merely indicates greater variability or stochastic behaviour, which is not a reliable indicator of effective competition between bidding zones. A more robust methodology should incorporate additional statistical parameters, including the average value, its stability, the skewness of the distribution and the consistency of the standard deviation over time.
- e. Assignment of Generation and Load Units to Bidding Zones.** The conclusion reached for Criterion 18 (Assignment of Generation and Load Units to Bidding Zones) does not sufficiently address the issues identified. The limitations and challenges associated with this criterion prevent it from being considered as performing equally under the alternative and status quo configurations. It would therefore be more appropriate to recognise this as an additional transition cost within the overall assessment.
- f. Transmission Capacity of new Bidding Zones.** With few exceptions, there is a lack of clarity regarding the cross-zonal capacity associated with the alternative bidding zone borders. This missing information complicates the assessment of the impact of new bidding zone configurations, particularly given the fundamental flaw in Criterion 18, namely, the assumption that production and consumption activations remain largely unchanged regardless of the BZ configuration. Moreover, the review falls short in adopting a holistic perspective on BZ reconfigurations across the Internal Electricity Market. By limiting the scope to the level of CCRs, the review has resulted in a series of largely 'national' BZ assessments rather than a truly integrated 'European' evaluation.

5. Downsides of the Study

While we acknowledge the existence of various limitations, we believe it is important to highlight several additional shortcomings of the study. These points warrant attention not only for potential future iterations of the Bidding Zone Review but also to inform ongoing political debates arising from the present review:

- a. Duration of the Exercise.** We have already noted the limitations related to the data basis. This challenge was further compounded by multiple delays in producing and publishing the report. Indeed, the prolonged duration of the exercise affects the relevance and applicability of the findings. A more streamlined process in future iterations would improve both efficiency and timeliness.
- b. Congestion Rent Gains.** The inclusion of congestion rent gains as an increase in market welfare has a direct impact on both the monetised benefit and Criterion 16 (Stability and Robustness of Bidding Zones over Time), making it a highly relevant consideration. However, in our view, this approach is questionable and warrants re-evaluation. Congestion rent should not be assessed in isolation, as market welfare, particularly in the day-ahead market, is determined by the combined effect of consumer surplus, producer surplus, and TSO congestion rent. Accordingly, any evaluation of market welfare should take into account the interdependencies among all these components to ensure a more accurate and holistic assessment.
- c. Consideration of Mergers.** The absence of any consideration for potential bidding zone mergers, whether within individual countries or across national borders, constitutes a significant analytical gap. It remains unclear to what extent this omission is a consequence of the applied methodology, which appears to place disproportionate emphasis on congestion costs and rents. Such a narrow focus may inadvertently discourage the exploration of configurations that could enhance market efficiency and foster deeper market integration through the merging of bidding zones.
- d. Discussion within Consultative Group.** While we acknowledge a reasonable level of stakeholder involvement, there remains room for further improvement. Notably, experts in the Consultative Group highlighted several methodological shortcomings and the resulting limitations of the findings. These warnings should have been more clearly reflected in the subsequent stages of the work to mitigate the reservations that now accompany the final report. As discussions with the Consultative Group remained incomplete, the collaborative spirit of the review process was ultimately weakened.
- e. Scope of the 2024 Public Consultation.** We regret that only the methodologies for assessing Criterion 6 (Market Liquidity and Transaction Costs) and Criterion 11 (Transition Costs) were subject to public consultation in 2024. In contrast, we would have expected a broader consultation covering all criteria. We are convinced that engaging in dialogue with experts across all areas could have helped to avoid several of the study's shortcomings and significantly enhanced its overall quality.

f. Parallel Run of Review and Other Assessments. Although this issue cannot be attributed to the authors of the Bidding Zone Review, we wish to highlight the broader complexity surrounding the various workstreams related to bidding zone reconfigurations. Regulation (EU) 2019/943 on the internal market for electricity and Regulation (EU) 2015/1222 on capacity allocation and congestion management refer to multiple instruments, such as regular reporting on current bidding zone configurations, minimum levels of available capacity for cross-zonal trade, and action plans, as potential alternatives to reconfiguration, particularly in cases where the 70% minimum cross-zonal capacity target is not met. The parallel operation of these mechanisms introduces unnecessary complexity and creates a risk of conflicting approaches. Ultimately, this may undermine stakeholder confidence in the stability and coherence of the European internal electricity market and therefore warrants further evaluation.

6. Conclusion

In conclusion, the ENTSO-E Bidding Zone Review of the 2025 Target Year represents a commendable effort with valuable insights. However, the limitations and reservations, along with the critiques of specific criteria and methodological approaches, underscore the need for further refinement and improvement. By addressing these issues, future reviews can provide even more robust and comprehensive assessments, ultimately contributing to a more efficient and effective European electricity market.

About

Europex is a not-for-profit association of European energy exchanges with 37 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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