



- Position Paper -

Article 13 (9) of the Electricity Regulation: The basic implementation phase for reconfigured bidding zones should be 24 instead of 12 months

Brussels, 8 November 2018 | Ensuring bidding zones are configured efficiently is necessary in order to address long-term structural congestion. However, any change to the configuration of bidding zones has a fundamental impact on the functioning of wholesale electricity markets. While the change itself, once implemented, may bring about overall benefits the transition process itself comes at a cost which is ultimately passed on to the electricity consumers. In order to minimise this cost and to leave the market enough time to adapt, the implementation phase needs to be appropriate and must guarantee a smooth transition. Recent experience has shown that at least 24 months are needed for such a transition.

Amendment proposal:

9. [] Any decision adopted according to this Article shall specify the date of implementation of a change. That implementation date shall balance the need for expediency with practical considerations, including forward trade of electricity **[and shall not be less than 12 24 months after the decision is published unless otherwise agreed with the relevant Member States.]**.
The [] **decision** may define appropriate transitional arrangements [].

Justification:

The following requirements need to be taken into consideration for an appropriate transition period:

- **Technical implementation:** the reconfiguration requires new congestion management between bidding zones and IT adjustments which affect TSOs, power exchanges and wholesale electricity market trading participants. More complexity is added if the bidding zone reconfiguration concerns a split leading to several bidding zones within one Member State, i.e. if the concerned TSO has to provide scheduling for two or more bidding zones instead of one and market parties have to reflect orders and handle price/volume risks in several bidding zones within one Member State;

- **Implementation of new products:** set-up of new/adjusted products for short and long-term trading; testing of implementation in the intraday and day ahead timeframe;
- **Shift of volumes:** open interest, the sum of all open positions, needs to be shifted from the market which is based on the current bidding zone set-up to the market with the new bidding zone set-up;
- **Commercial adaptation:** market participants need to prepare for new bidding zone set-up, e.g. implementation of new pricing models;
- **Economic adaptation:** the electricity consuming economy as a whole needs to prepare for varying prices. In case of a split, there will be different prices where there had been one price before. In case of a merger, there will be one price where there had been different prices before.

Example: The recent reconfiguration of the German-Austrian bidding zone required almost two years to be implemented (announcement by the Bundesnetzagentur on 28 October 2016, split effective as of 1 October 2018). This time period was already very ambitious and successfully delivering the necessary technical adjustments under this timeframe was a real achievement. The reconfiguration also resulted in a severe drop of volumes on the derivatives markets.

About

Europex is a not-for-profit association of European energy exchanges with 26 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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