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## STATEMENT BY THE GERMAN TSOS ON THE RESULTS OF THE EU BIDDING ZONE REVIEW

On April 28, 2025, the European transmission system operators (TSOs) completed the EU Bidding Zone Review (BZR). The publication of the report concludes the process regarding a possible reconfiguration of the bidding zones in the EU, which the European Commission legally established in the Clean Energy Package in 2019.

Taking into account very specific requirements of the European Union Agency for the Cooperation of Energy Regulators (ACER) concerning, the methodology, the bidding zone configurations to be examined, scenarios and numerous indicators, among other things, the European TSOs carried out extensive simulations for the target year 2025. As part of the process, the TSOs are required to submit the report, including a proposal regarding the maintenance or adjustment of the current bidding zone configuration, to the EU member states, and the decision to reconfigure or not is thus explicitly a political one.

### **Supposed economic efficiency of a bidding zone split**

The analysis was based on 22 criteria grouped into four categories (network security, market efficiency, energy transition and stability & robustness of bidding zones). According to the ACER methodology, the impact of a bidding zone split on economic efficiency served solely as the central assessment indicator for the final recommendation. In this regard, the study identified the greatest economic efficiency on the split of the German-Luxembourg bidding zone into five zones. According to the analysis, under the assumptions made, this reconfiguration would generate welfare gains of EUR 339 million for the target year 2025 compared to the status quo in the Central European region. The economic efficiency development for subsequent years was not calculated by the bidding zone study.

### **German TSOs do not consider results suitable as a basis for a decision on the reconfiguration of the bidding zone**

Nevertheless, the results of the Bidding Zone Review are currently not suitable as a basis for justifying a reconfiguration of the existing bidding zone. The following aspects, among others, are to be considered in the political decision:

#### ➤ **The calculated economic efficiency provide no meaningful basis**

The calculated economic efficiency correspond to less than 1% of the simulated system costs for 2025, which are incurred to meet the electricity demand in Central Europe (costs of the simulated day-ahead market). This value is relatively low, particularly considering the relevant implications for investment security and local cost increases in the energy and industrial sector in case of a bidding zone split. Furthermore, the estimated costs of implementing a reconfiguration, which were based on the ACER methodology and developed as part of the BZR based on stakeholders' input, were likely underestimated.

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➤ **The input data used in the BZR are outdated and the analysis period incoherent**

The input data of the study was largely created in 2019 for the target year 2025, in accordance with the ACER methodology. Accordingly, the study does not take into account any future developments in the electricity system, including grid expansion projects, in particular the high-voltage direct current transmission lines (HVDC) within Germany, as well as the ongoing development in the expansion of renewables. This makes it difficult to assess the robustness of the configurations examined and the simulation results. Due to the likely implementation time, a bidding zone reconfiguration would be implemented in reality around 2030. By then, significant grid expansion projects that were not considered in the BZR analysis will have progressed considerably.

➤ **Loss of liquidity and negative impact on renewables' investments**

A reconfiguration of the bidding zone would reduce liquidity on the futures markets and increase costs for the balancing energy market, as fewer providers would participate in smaller markets. In addition, the declining producer surplus of renewable energy generators could increase the need for renewable energy subsidies. These effects were not adequately considered in the analysis due to the BZR methodology.

**Additional measures to ensure grid stability are necessary**

The more fluctuating renewables enters the energy system and the more conventional power plants are phased out, the more attention must be paid to the physical constraints in the electricity market. This development is intensified by the connection of large batteries, as their operation can be supportive or damaging to grid stability, depending on their location and the extent of their integration into market and system management processes.

Regardless of the political decision for or against a reconfiguration of the bidding zone, the implementation of additional measures and instruments remains essential to maintain system security at a high level. Short-term and effective measures include, among other things, the timely construction of new dispatchable generation capacity, and in the medium term, the implementation of a central capacity market with local components.