

ACER Q&A

Everything you wish to know on the minimum 70% target

Question	Answer
What is the minimum 70% target?	<p>Maximising cross-zonal trading opportunities is a core element to ensure an efficient internal electricity market. It is also important for meeting a number of future challenges in Europe's energy trajectory, including the decarbonisation targets.</p> <p>The Clean Energy Package set a binding minimum 70% target for electricity interconnector capacity to be available for cross-zonal trading (the “minimum 70% target”), to be met by all EU Transmission System Operators (TSOs) while respecting operational security limits.</p>
What is the legal background?	The target was introduced by the Article 16(8) of the Electricity Regulation of the Clean Energy Package.
When did it enter into force?	It applies since 1 January 2020. Member States may adopt transitory measures, i.e. action plans or derogations to reach the minimum 70% target gradually, by the end of 2025 at the latest.
What is the target's geographical scope?	The minimum 70% target applies to all borders between two EU bidding-zones. This includes borders between two EU bidding-zones, and those internal to an EU country (e.g. Denmark1-Denmark2).
What are the benefits the minimum 70% target can bring?	<p>The minimum 70% target ensures that no discrimination takes place between internal and cross-zonal flows. By doing so, it increases the capacity made available for cross-zonal trade.</p> <p>In its Final Assessment of the EU Wholesale Electricity Market Design, ACER found that increasing cross-zonal capacity would:</p> <ul style="list-style-type: none"> • contribute to mitigate price volatility, • enable efficient cross-border trade, • enhance the integration of renewable sources, and • increase the security of supply.

Question	Answer
<p>Why should Transmission System Operators (TSOs) meet the minimum 70% target if price convergence already exists or when the price differential is in the opposite direction, and on all network elements?</p>	<p>First, meeting the minimum 70% target at all times is a legal requirement.</p> <p>Second, if the monitoring is focused on specific hours (e.g. when prices diverge), or on specific network elements only, TSOs would be incentivised, or not, to meet the minimum target, depending on their price and/or congestion forecasts. As a result, TSOs would transfer the risk of inaccurate forecasts to market participants.</p> <p>Instead, TSOs should offer as much capacity as possible at all times and on all network elements:</p> <ul style="list-style-type: none"> • to offer market participants more trading opportunities - it will be up to the market to decide how this capacity is actually used. • offering 70% on all network elements does not imply any additional costs for the TSOs when there is already price convergence or when the price differential is in the opposite direction (except in the extremely rare cases where the TSOs would need to activate preventive redispatching actions).
<p>How can TSOs meet the target?</p>	<p>TSOs can meet the minimum 70% target by efficiently managing or removing their network congestions. Relevant measures include:</p> <ul style="list-style-type: none"> • cost efficient network development and investments, • redefinition of the bidding-zones, • improved coordination in the calculation of cross-zonal capacities in different timeframes, and • identification of the remaining congestions, which need to be addressed with remedial actions (such as redispatching).
<p>Are there costs incurred to meet the minimum 70% target?</p>	<p>Costs arise when the offered capacity is allocated fully. In the absence of appropriate network development and redefinition of bidding zones, it may lead to congestion (i.e., physical flows above the physical capability of the network). Congestion can trigger the need for remedial actions (re-dispatching, countertrading), which may be costly.</p> <p>The extensive use of costly remedial actions should not be considered as a long-term solution. TSOs should instead address the underlying issues (e.g. by means of bidding-zone reconfiguration or cost-efficient investments) to reduce the need for remedial actions.</p>

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<p>Could meeting the minimum 70% target endanger the network?</p>	<p>The Electricity Regulation states that the minimum 70% capacity must be offered “<i>respecting operational security limits after deduction of contingencies</i>”, i.e., safeguarding operational security.</p> <p>In addition, TSOs may be granted a temporary derogation from the minimum 70% target “<i>where necessary for maintaining operational security</i>”.</p> <p>Moreover, meeting the minimum 70% target may increase security of supply, e.g. by enabling more electricity to flow to a country that is experiencing a supply shortage.</p>
<p>What is the national regulatory authorities’ role?</p>	<p>Each National Regulatory Authority (NRA) is required to assess their TSO(s) compliance with the minimum 70% target, or towards the target set by the derogation and/or action plans.</p> <p>NRAs are tasked with approving the derogations requested by their TSO(s).</p>
<p>What is ACER’s role?</p>	<p>ACER monitors and reports annually on the minimum 70% target across EU (Article 15(1) of the Electricity Regulation).</p>
<p>How are the levels of margin available for cross-zonal trade (MACZT) and the minimum 70% target monitored?</p>	<p>The minimum 70% target is monitored in line with ACER’s Recommendation No 01/2019. ACER and the NRAs have developed a Practical Note describing a common approach to monitoring. It aims to provide more transparency to market participants on how NRAs will assess compliance with the minimum 70% target.</p>