

JOINT STATEMENT

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Implementing alternative Bidding Zone configurations will delay wind energy deployment

We wish to express our concerns about implementing the alternative Bidding Zones configurations decided by ACER in 2022 for France, Germany, Italy and the Netherlands in the context of the ongoing Bidding Zone Review process.¹

Implementing this decision will increase market uncertainty and cost of capital for new wind energy projects, slow down and block projects close to final investment decisions, while not resolving the existing congestion issues.

We hereby urge the European Commission and National Governments to maintain the current Bidding Zone configurations. Specifically, we would like to highlight the following concerns:

- **Changing the current Bidding Zone configurations in these key markets will extend regulatory and market uncertainty** just after the impacts of the energy crisis, uncoordinated national electricity market interventions and negotiations for a new electricity market design in Europe. This uncertainty will be very harmful and will delay final investment decisions in new wind farms or make projects non-viable on a longer perspective. It will also increase investment risk and cost of capital for new projects, leading to less investment in new generation capacities. Now it is crucial to focus on implementing the recent Electricity Market Reform and the Action Plan for Grids so that new projects are ramped up and their generated power can reach consumers.
- **The proposed alternative Bidding Zones will significantly increase wholesale market price volatility and negative prices within some of the new zones.** This is an unpredictable risk for wind farm developers which cannot be forecasted and appropriately priced in two-sided CfD or PPA negotiations. Existing and new projects will look for further long-term hedging. Energy transition costs for consumers will be higher possibly outweighing avoided congestion management costs. It is not clear whether these additional costs have been properly considered in the methodology.
- **The alternative configurations were decided based on an outdated and non-holistic methodology.** It does not account for the planned grid development that the Commission and National Governments are now committed to deliver. It does also not consider properly the interactions between potential parallel reconfigurations in neighbouring Member States. Finally, it does not consider the

¹ According to the Electricity Regulation 2019/943 and the Capacity Allocation and Congestion Management Regulation 2015/1222, to ensure an optimal configuration of bidding zones, ACER launched a Bidding Zone Review (BZR) in 2019 to identify alternative configurations of bidding zones that would increase opportunities for cross-zonal trade and decrease structural congestions. As part of the BZR, ACER published in August 2022 a decision proposing alternative bidding zone configurations in five Member States.

development of offshore bidding zones considered by the Commission as a main driver for offshore wind deployment.

- **The proposed alternative Bidding zone configurations will not change the location of existing wind farms or the ones already under permitting.** Thus, their impact on alleviating structural grid congestion could only be partial. Moreover, some markets, such as France, do not suffer from structural congestion and should not face it in an observable time horizon. There are other more efficient solutions, both in the short and the long-term, that must be prioritised. These include urgent expansion and reinforcement of transmission and distribution grids, adequate market incentives for electrification, prioritisation of grid connection requests considering system integration criteria, massive scale up of net-zero flexibility technologies and adequate two-sided CfD design. The cost of some corrective actions to deal with temporary congestions is much lower compared to an alternative configuration, for instance in France.
- **The long-term trading and its hedging framework will also be impacted.** As it stands, Germany remains the main reference forward market for hedging in the region – even after the split of the German-Austrian bidding zone. Germany's division would significantly increase electricity market instability and volatility not only within Germany but also in neighbouring countries. This would not only negatively impact the wind industry but many other market participants who need a hedging instrument such as the futures market. Equally, the proposal from the European Commission to create "Virtual Trading Hubs" would deter market liquidity and would create an additional layer of costs in the grid tariffs that could be an additional barrier to renewable support mechanisms. Given the important impact of these dynamics, it is essential that ENTSO-E clarifies with more evidence the foreseeable cross-border repercussions of the proposed five-zone configuration.

The wind industry needs a stable regulatory framework and long-term planning security to deliver its expected contribution to the energy transition. The Commission and National Governments should quantify and factor in their decision how implementing alternative Bidding Zone configurations - including possible delays – will impact the achievement of climate goals also in the long term. **Investments currently in the pipeline would be at stake, and uncertainty will also have a domino effect on the whole supply chain putting Europe's industrial competitiveness at risk.**