Germany must remain a unified electricity price zone!

Our energy system is currently right in the middle of a transformation. In this highly dynamic environment, we do not need additional upheavals, but rather stable framework conditions.

The Chambers of Commerce and Industry in Baden-Württemberg, Bavaria, Rhineland-Palatinate, Saarland, the transmission system operators Amprion and TransnetBW, as well as the Economic Advisory Board of Bavaria, call for the preservation of a unified electricity price zone. Discussions should be held shortly

According to Article 14 of the EU Electricity Market Regulation, transmission system operators of EU member states are required to conduct a Bidding Zone Review (BZR) to assess whether the current electricity price zones still meet the requirements of Article 14.

These zones must ensure maximum economic efficiency, enable as much trading across zones as possible, and maintain supply security. The next report is expected to be completed and published in Q4 2024. However, the methodology of the bidding zone study shows some weaknesses, limiting the validity of the results. As an example, the ongoing grid expansion in Germany has not been fully considered due to the target year of 2025. By the time of the report's target year, neither the five planned High Voltage Direct Current (HVDC) transmission lines nor the planned AC connections and interconnectors included in the current Federal Demand Plan will be operational. Therefore, there is a risk that the report may recommend splitting Germany into two or more electricity price zones, as significant grid bottlenecks will continue to exist until the end of 2025.

Such a division would be detrimental to achieving the EU's climate goals. For instance, Power Purchase Agreements (PPAs) across zones would no longer be easily implementable once bidding zone boundaries are established. There is the inherent danger that planned investments in renewable energies will be delayed or even cancelled by major industries. Furthermore, a split would not only weaken the economic power in Germany, but it would also have a direct effect on Europe as well. The zones would likely need constant adjustments, preventing stable market conditions in the long term.

Implementing the division of Germany into several electricity price zones would require extensive preparation and execution, lasting at least three to five years after the decision is made. During this time, according to the transmission system operators Amprion, TenneT, TransnetBW, and 50Hertz, relevant HVDC projects will be put into operation. These include the SuedOstLink (expected in late 2027), SuedOstLink (expected in late 2028), and the A-Nord/Ultranet project (expected in 2026/2027). Additionally, other important AC connections and interconnectors will be completed, reducing the criticized bottlenecks in Germany. Amprion estimates that the commissioning of A-Nord/Ultranet alone could save €1 billion per year.

Moreover, even the mere announcement of such a division would undermine public acceptance of grid expansion across the country, as critics might argue that removing grid bottlenecks is no longer necessary or urgent due to the new electricity price zone structure. Grid expansion is, however, critical for both German and European system stability and achieving national and European climate goals, regardless of the layout of the electricity price zone. It is crucial to avoid impairing public acceptance, which could hinder the implementation of important grid projects.

The announcement of splitting Germany into multiple electricity price zones would also threaten investment security and the willingness to invest, which is crucial for the energy transition.This applies to both conventional power plant construction as well as renewable energy producers. In the north, renewable energy facilities would become less profitable due to lower market prices, slowing the expansion of offshore wind farms. At the same time, energy-intensive industries would face significantly higher market prices (Aurora Energy Research estimates up to €9/MWh higher prices). Since electricity prices in Germany are already among the highest in the world, further increases would be unbearable for the economy, especially for energy-intensive industries. Given the close economic ties within Germany, not only the southern German industry but also northern German businesses would suffer. As a result, affected energy-intensive companies would either halt investments or even relocate abroad.Considering the current economic and investment weakness in Germany, but also Germany’s contribution to the economic development in the EU, this scenario would harm the whole continent.

There is also the risk that splitting Germany into multiple electricity price zones would reduce the high liquidity of the German electricity market.

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