

# REMIT Implications for SEM

## Regulatory Authority Workshop

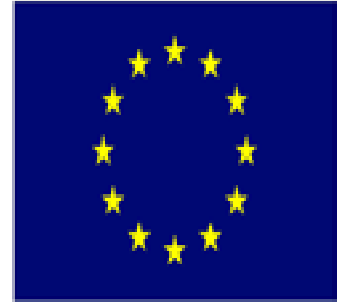
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- An overview of REMIT
- Market Abuse Rules & Impacts for SEM
- Market Monitoring & Impacts for SEM





- Drivers for this new EU Regulation:
  - Many NRAs do not have access to national transaction data, and typically see little of other MS markets
  - Wholesale markets are increasingly pan-EU, so market abuse in one MS may adversely effect others
  - Better to have an EU market transparency and integrity framework, with centralised monitoring via ACER
- Regulation on wholesale Energy Market Integrity and Transparency went “live” across EU on 28<sup>th</sup> Dec '11, with some provisions applying later



- REMIT provides an EU framework for wholesale energy market regulation:
  1. New rules: defines and prohibits wholesale energy market abuse, i.e. “insider trading” & “market manipulation”
  2. New enforcement: market abuse prohibition
  3. New monitorer of wholesale energy, so as to detect market abuse, at EU level
  
- REMIT covers **all** EU electricity and gas wholesale contracts **and** derivatives & contracts for supply/distribution to customers > 600 GWh p.a



## Sweeping Market Rule Dictats:

- Prohibits market manipulation & insider trading in EU wholesale energy markets [Arts 3 & 4] 
- Market participants to establish arrangements to detect market abuse & notify the NRA if they suspect it [Art 15] 
- Market participants to publish insider information or, if delayed, inform ACER & NRA [Art 4]
- Requires NRAs (not ACER) to ensure no market manipulation or insider trading and that insider information is published [Art 13]
- DCENR/DETI is required to give CER/UR investigatory and enforcement powers to ensure this - by 29 June '13 [Art 13]

- What is market manipulation prohibition? [Art 2]
  - Using trade orders/deception to give false signals of S, D or P of products
  - Securing price of products at “artificial level”
  - Disseminating false relevant info re. product via media
- What is insider trading prohibition? [Art 3]
  - Trading using inside info, or disclosing the info to a person inappropriately
  - Recommending a person to trade on basis of inside info
- What is insider information? [Art 2]
  - Info which is precise, not made public, and which could effect of wholesale products if made public
- Guidance on definitions published by ACER [Art 16]

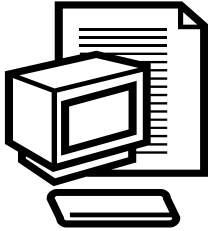
## Implications of Rules for SEM:

- All market participants banned from market abuse, must implement system for detecting market abuse and, if they suspect any, inform relevant RA
- Possible EG of abuse in SEM:
  - Market participant selling CfDs knowing its outages will be < published levels, in order to keep CfD price high, i.e. insider trading
- ACER web facility established to allow ACER & RAs to be informed of market abuse suspicions from participants



## Implications of Rules for SEM:

- Market participants should publish any inside information immediately, for example generator outage updates, or if delayed, inform ACER & CER or UR
- ACER web facility established to allow ACER & RAs to be informed of inside information delay
- CER and UR required right now to prevent market abuse, though final powers to come later





## *New Monitoring under REMIT:*

- Establishes a new market monitorer in ACER - wholesale energy market transactions to be sent to Ljubljana [Art 7]
- ACER to assess any market abuse and to notify suspects to NRAs for investigation
- NRAs required to co-operate at regional level and with ACER in monitoring of transactions [Art 7]
- NRAs entitled to view data held by ACER [Art 7]
- ACER to send a report to EC at least annually on these activities [Art 7]
- Apparently circa 15 ACER staff earmarked for this task



## New Monitoring under REMIT:

- EC will, via “Implementing Acts”, detail what energy transactions to be reported to ACER, incl. *de minimus* thresholds, and procedure involved
- Acts to be brought through comitology in late ‘12 => law by mid ‘13? => reporting “go live” 6 months later
- NRA shall implement a “national register” of all market participants entering transactions, to be transmitted to ACER in a format decided by it by 29 June ‘12
- Register to be established within 3 months of Acts => late ‘13



## Implications of Monitoring for Irl:

- Detail depends on Implementing Acts
- Welcome flexibility: REMIT allows 3<sup>rd</sup> party to provide information so could be SEMO, TP, network operator... [Art 8]
- ACER will be examining market abuse situations, for CER and UR to investigate and enforce, from 2013
- CER and UR to establish national registers in line with ACER requirements - likely in 2013

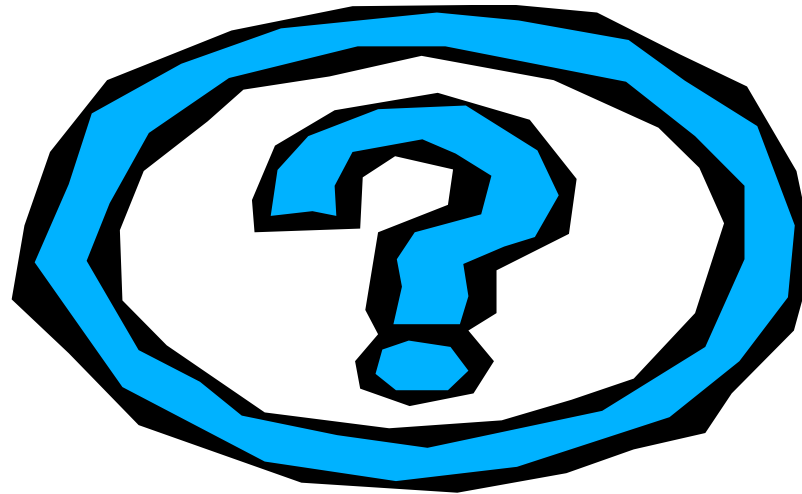


- New EU framework
- Market participants in SEM must now not engage in market abuse, must have a system to detect it and report on it to CER or UR, and must publish any insider info or inform ACER/CER/UR
- ACER web facility established to facilitate this reporting
- CER and UR shall enforce prohibition on market abuse and publication of insider info, but final powers by June 2013!
- CER and UR to establish national register in line with ACER requirements - likely in '13
- Reporting of data to ACER likely from late '13(ish), and ACER will inform CER or UR if it sees market abuse



- ACER will update guidance on market abuse to reflect experience in implementing REMIT
- RAs to attend relevant EU meetings and comment on market abuse guidelines, new market reporting requirements, etc
- Aim for balanced outcome





## *Questions and Answers*