



Directorate-General
for Energy

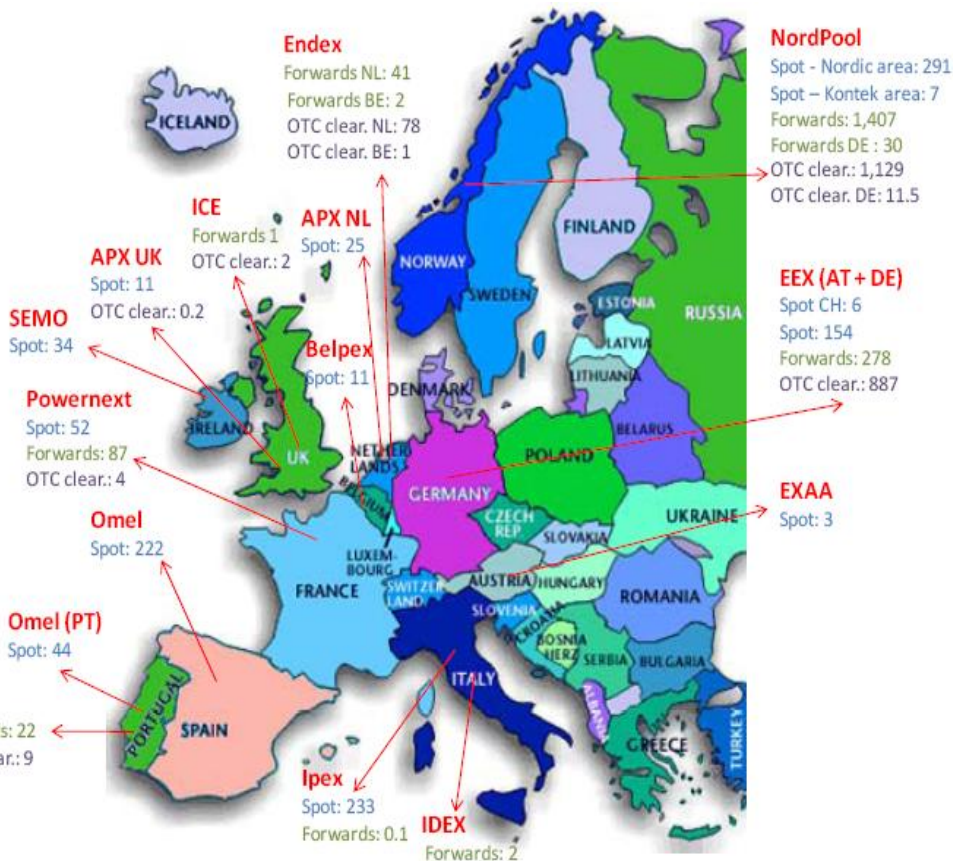


- **Ensuring energy market integrity and transparency**

CER-NIAUR Seminar

Tadhg O'Briain
Internal Market II – Wholesale electricity and gas

Problem identification



- Pan-European wholesale energy markets with patchy national oversight
- No clear prohibition of market abuse on important trading venues
 - » Financial regulations only partially applicable
- No visibility of trading
 - » Transactions not reported
 - » Fundamental data not accessible to regulators



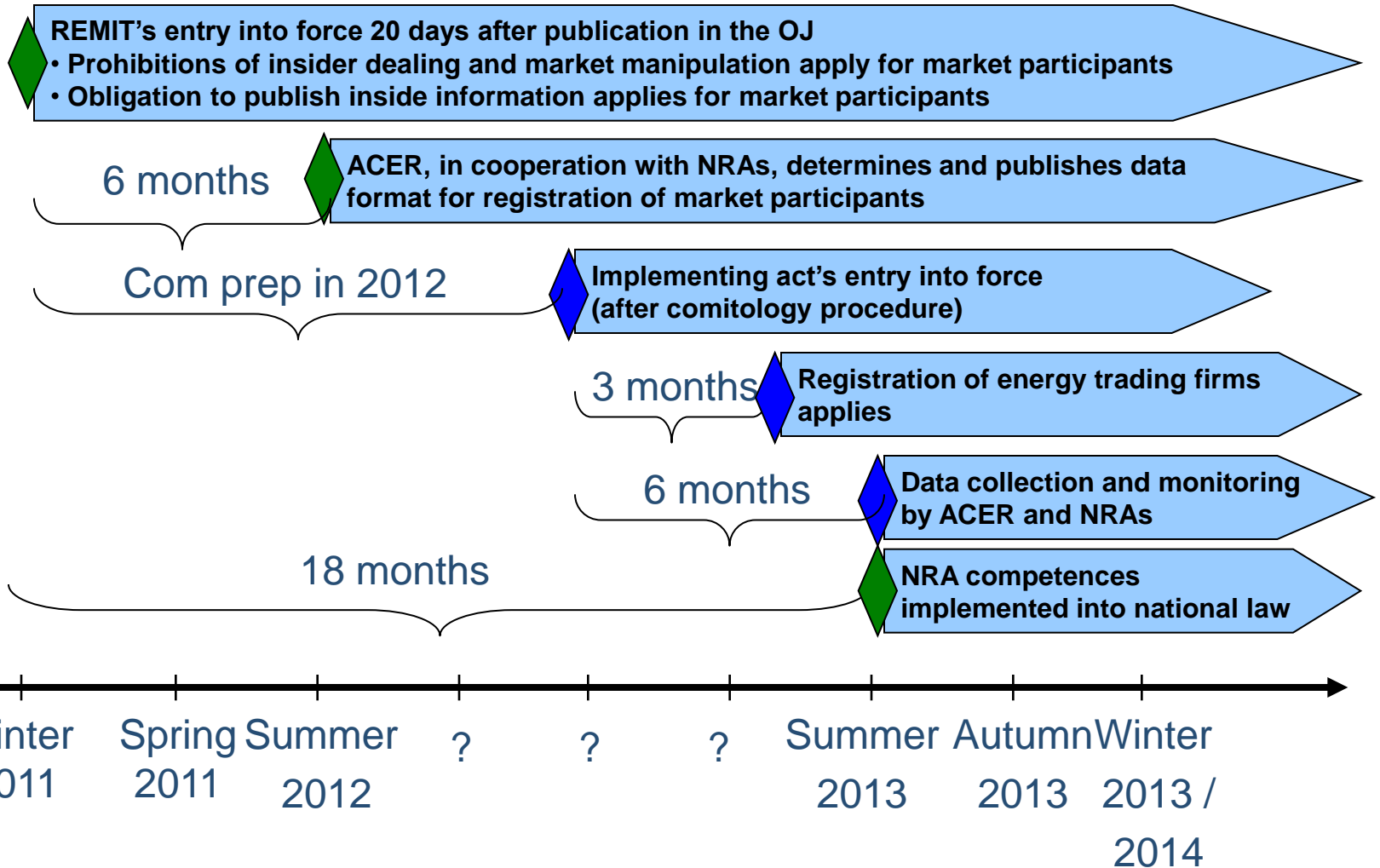
Need for a dedicated market integrity and transparency framework

All figures in TWh. The forward markets volumes include futures, forward contracts and options.

Outline of REMIT

- **Definitions and legal prohibition of trading on inside information and market manipulation**
- **Market monitoring, data collection and registration**
- **Investigation and enforcement**
- **Provisions for adopting:**
 - » delegated acts updating definitions
 - » implementing acts – establishing reporting framework
- **Publication in OJ 8 December 2011 – Entry into force + 20 days**

Time line of REMIT's entry into force





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● The new rules

● Obligations of market participants

- **REMIT prohibits:**

- » insider trading (Art 3 REMIT) and market manipulation (Art 5 REMIT) on wholesale energy markets
- » This prohibition does not apply to wholesale energy products that are financial instruments and fall under MAD/MAR

- **Obligation to publish inside information (Art 4 REMIT)**

● What is Inside information?

● "Inside information"

- » information of a precise nature which has not been made public, which [...] if it were made public, would be likely to significantly affect the prices of those wholesale energy products"
- » ... includes information about capacity and use of facilities for production, storage, consumption or transmission of electricity or natural gas or related to the capacity and use of LNG facilities, including planned and unplanned unavailability of these facilities. (Art. 2(1) REMIT)

● ACER will publish non binding guidance on the application of definitions (Art 16 REMIT)

● Preparing for compliance

- **Information has to be published in a way that is easy to find!**

- » Transparency platform where available
- » Wholesale energy product related news services
- » Market participant's website as interim backup?

- **What information is to be published?**

- » Draft Comitology Guidelines on fundamental Electricity Data Transparency a good indicator for information to be published in electricity
- » No equivalent guideline in gas
 - » Important to make own assessment of likely price impacts



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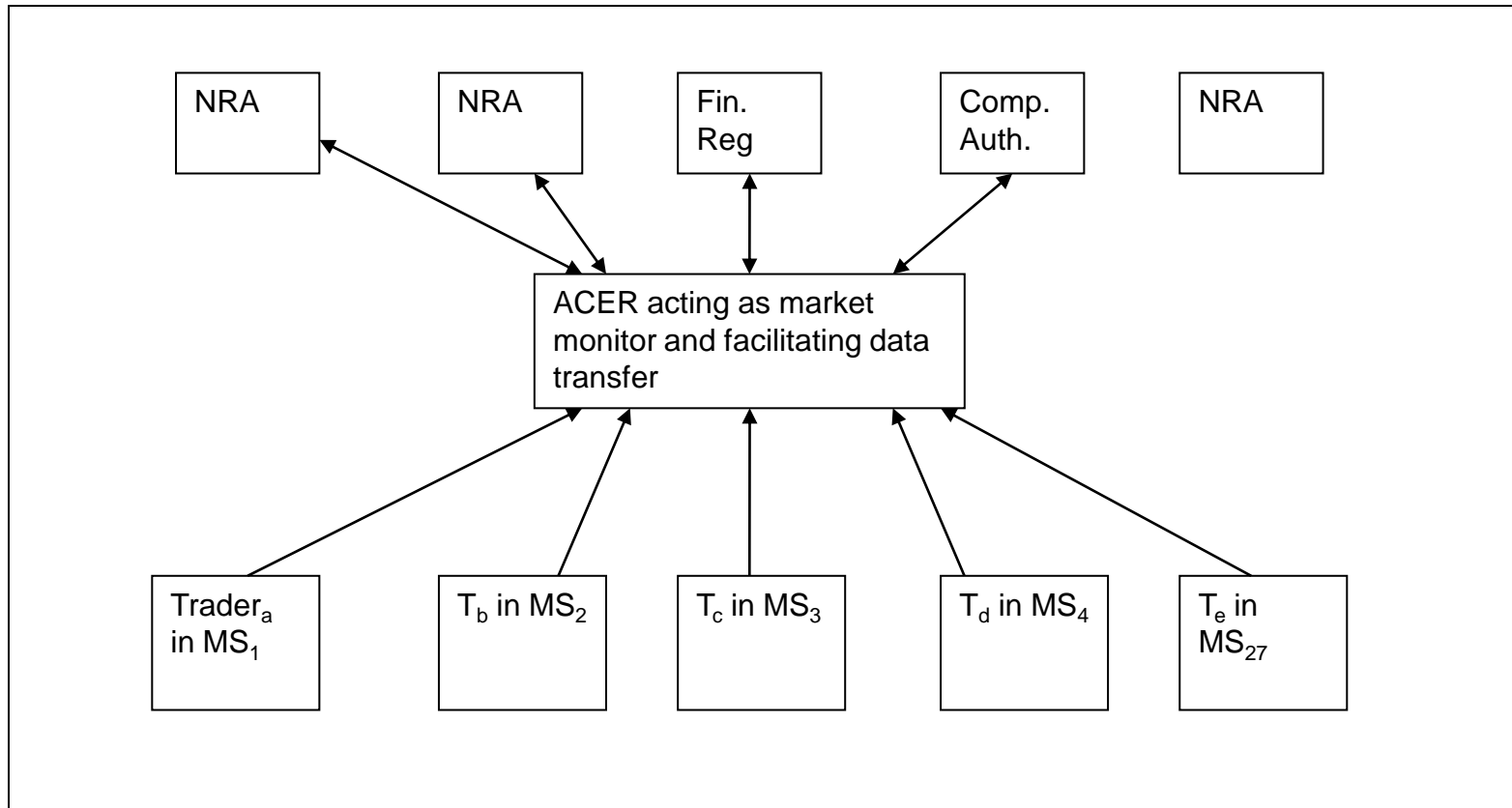


- Market monitoring and enforcement

● Monitoring of traded markets

- **EU level market monitor based at ACER to regularly screen transactions**
 - » Centralised transaction reporting
 - » Sufficient commodity coverage (electricity, gas, transmission rights, etc.)
 - » Holistic view of markets including all wholesale energy products
 - Financial instruments
 - Commodity trading
 - » Provide data to NRAs (and Financial Regulators, Competition Authorities) → replacing nascent national reporting schemes
- **Data reporting based on implementing acts to be developed by Commission**
- **No double reporting obligations**

Facilitating data flows



Roles according to REMIT

ACER	NRAs
<p>Shall monitor all trading activities in wholesale energy products to detect and prevent trading based on inside information and market manipulation.</p>	<p>Shall cooperate at regional level and with the Agency in carrying out the monitoring of wholesale energy markets.</p> <p>May also monitor trading activity in wholesale energy products <u>at national level</u>, cooperation with ACER and other NRAs at regional level→to detect trading based on inside information and market manipulation</p>
<p>Shall have the power, where, inter alia on the basis of initial assessments or analysis, it suspects that there has been a breach of REMIT</p> <ul style="list-style-type: none"> a) to request information from NRAs b) to request to commence an investigation and to take appropriate action if applicable c) establish and coordinate an investigatory group with concerned NRAs in case of cross-border impacts 	<p>Shall without delay inform the Agency in as specific a manner as possible where they have reasonable grounds to suspect that acts in breach of REMIT are being, or have been, carried out either in that MS or in another MS.</p>

● Registration

- **Every market participant has to register only once**
 - » National regulators cannot require local registration
- **ACER will determine a registration format within the next six months**
- **NRAs are working on a coordinated approach with regard to content**
 - » unique id,
 - » VAT number,
 - » place of establishment,
 - » persons responsible for operational and trading decisions,
 - » ultimate controller or beneficiary.
- **Registration content will be publicly consulted with market participants**



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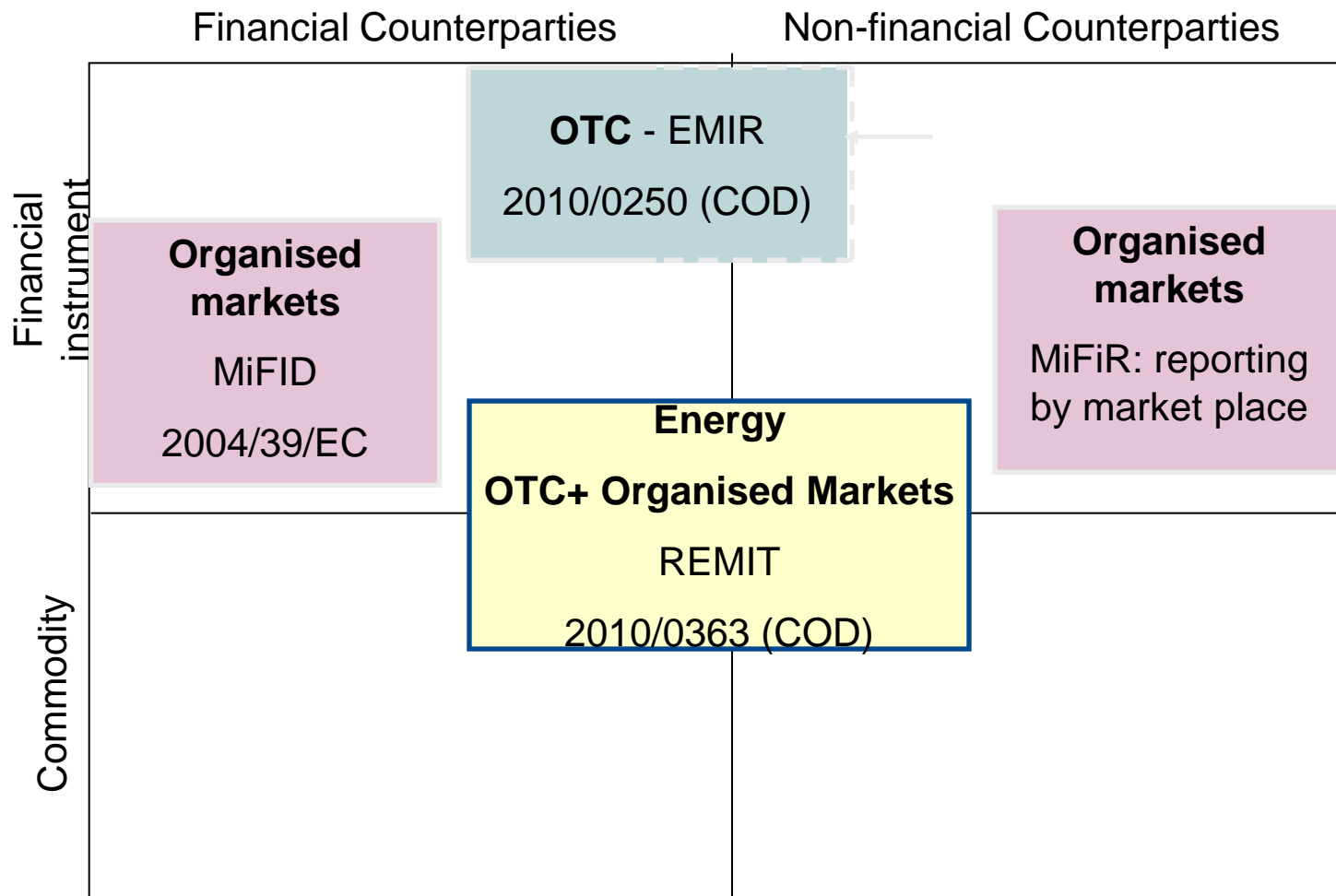


● The reporting framework

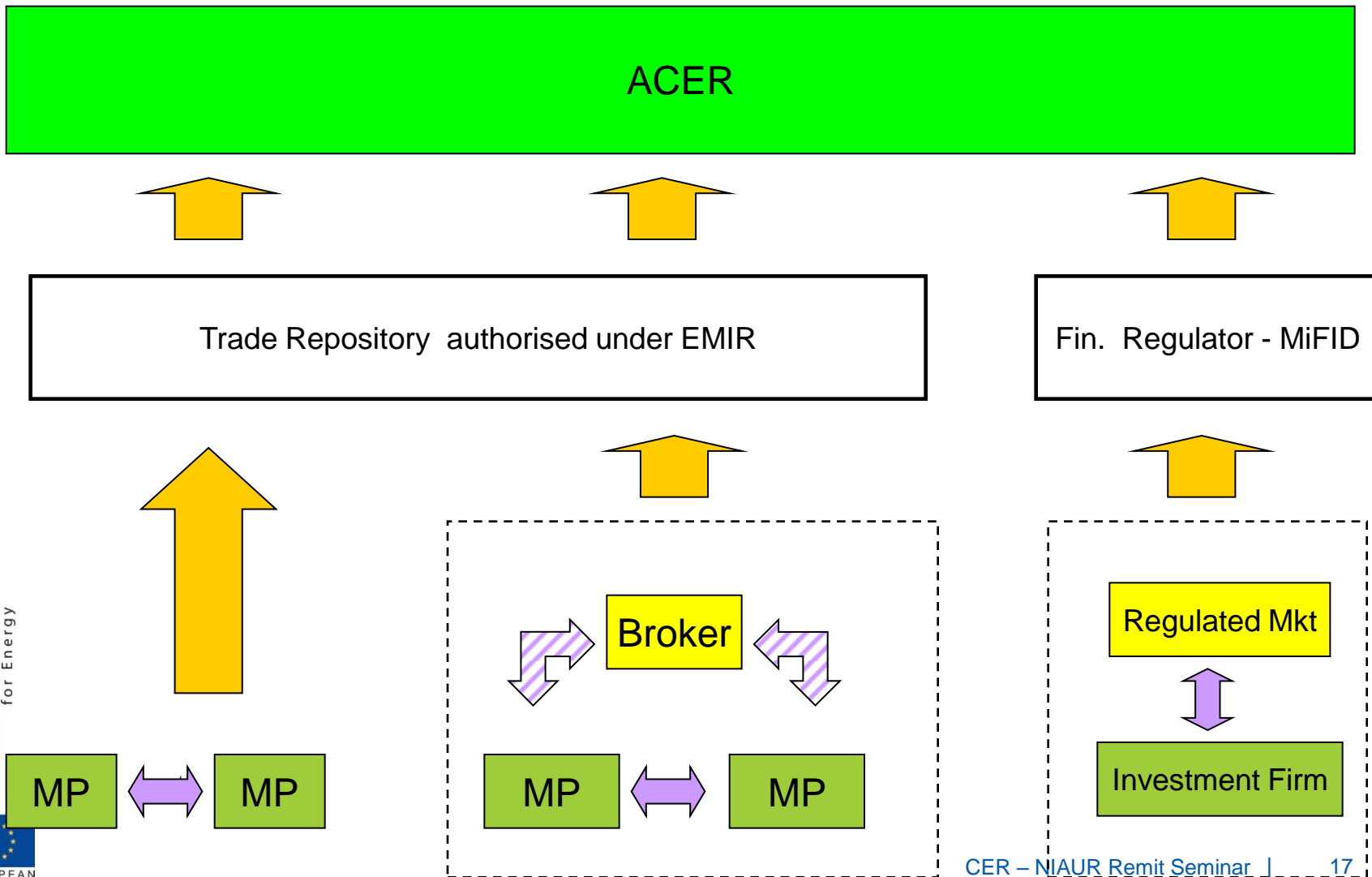
● Transaction reporting

- **Transactions in wholesale energy products must be reported to ACER**
 - » Commodity trading
 - » Financial instruments related to electricity and gas
- **REMIT has been crafted to ensure there are no double reporting obligations**
 - » Where data has already been reported in accordance financial regulation ACER uses this path to access the data
- **Commission implementing legislation to give effect to obligations**
 - » Reportable contracts; details, timing and format of data to be
 - » Data transfer to be facilitated by third parties
 - » Lessons learned from 'Pilot Project' run by CEER
 - » Expert advice from consultants
 - » Engagement with Regulators and stakeholders

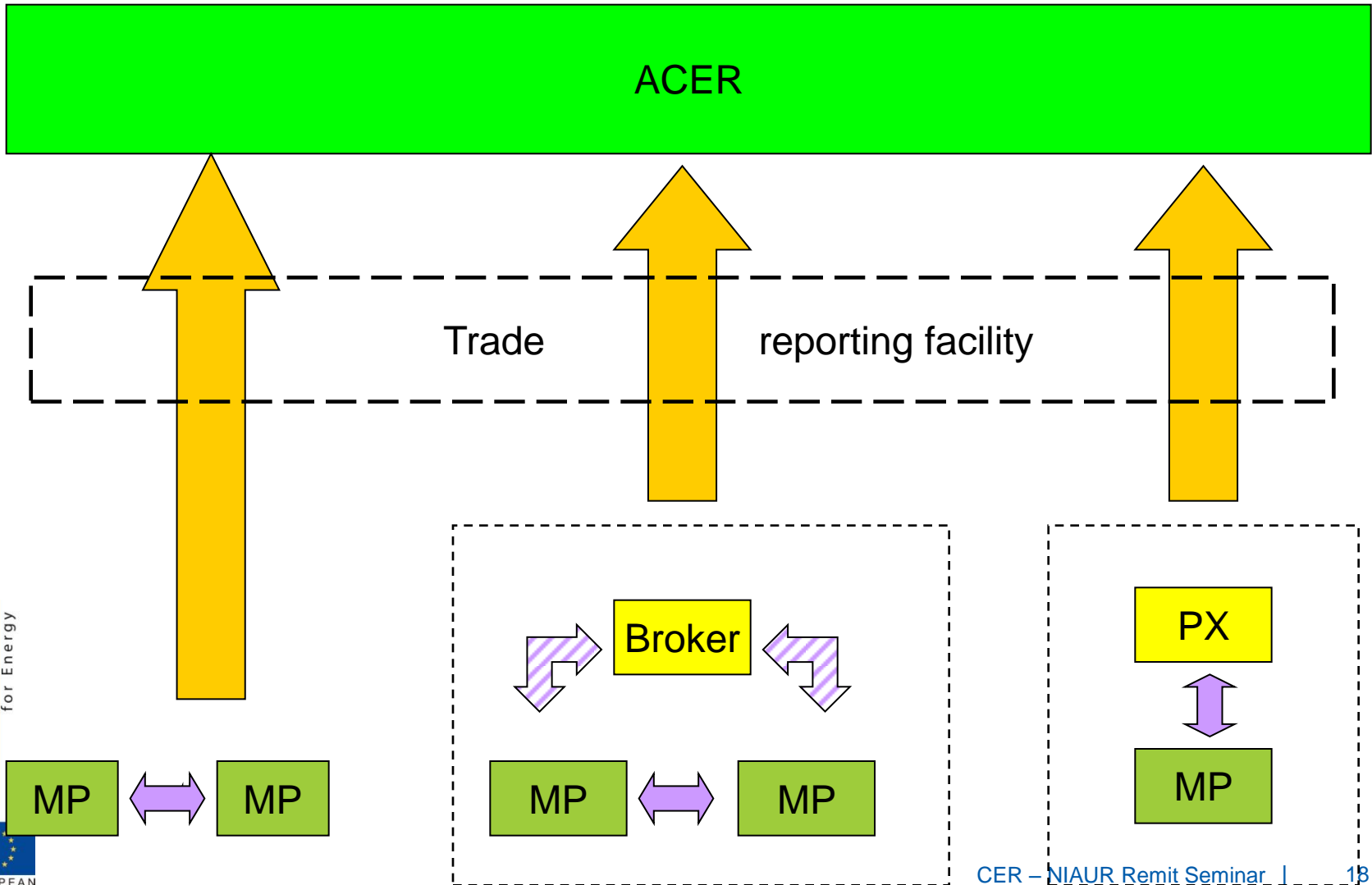
Transaction Reporting obligations



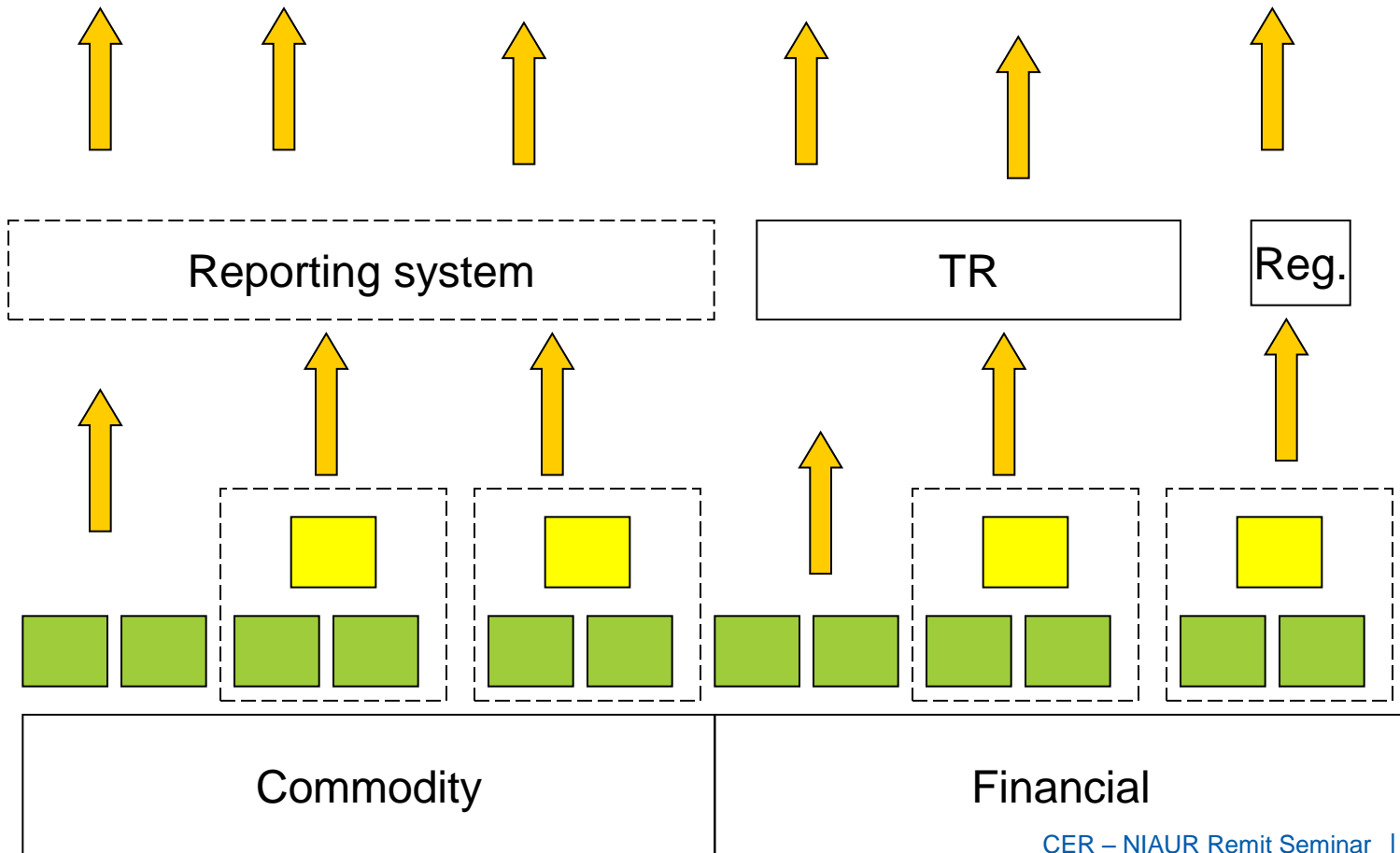
Financial instruments



Commodity trades



ACER





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