

A blue flag with twelve yellow stars in a circle, representing the European Union flag, waving against a blue sky with light clouds. The word "REMIT" is written in white capital letters across the center of the flag.

REMIT

Walter Boltz

Agenda

- Background of REMIT
- Data Collection under Remit
- Status of the Project

Integrity & transparency required

How to fulfill what market participants' confidence in energy markets requires?

- integrity (= fairness) of market;
- same rules apply to everyone;
- Prices reflect (fair & competitive) interplay between supply and demand
- No profits from market abuse

REGULATION IN ENERGY MARKET INTEGRITY & TRANSPARENCY (REMIT)

Answer

establishes rules that:

- *prohibit abusive practices affecting wholesale energy markets*
- *are coherent with the rules applicable in financial markets;*
- *are in line with the proper functioning of the wholesale energy markets and take into account their specific characteristics.*
- *provide for the monitoring of wholesale energy markets by the Agency in close collaboration with national regulatory authorities.*

Confidence of consumers and market participants in „fairness“ of and price signals in power/gas markets“ shall be ensured by the implementation of REMIT.

REMIT main provisions – an overview

SURVEILLANCE

§7 Market monitoring

§8 Collect data

§10 Sharing of information

§16 Cooperation

§11 Data protection

§12 Operational reliability

§13 Enforcement powers

MARKET

§3 Prohibition of insider trading

§5 Prohibition of market manipulation

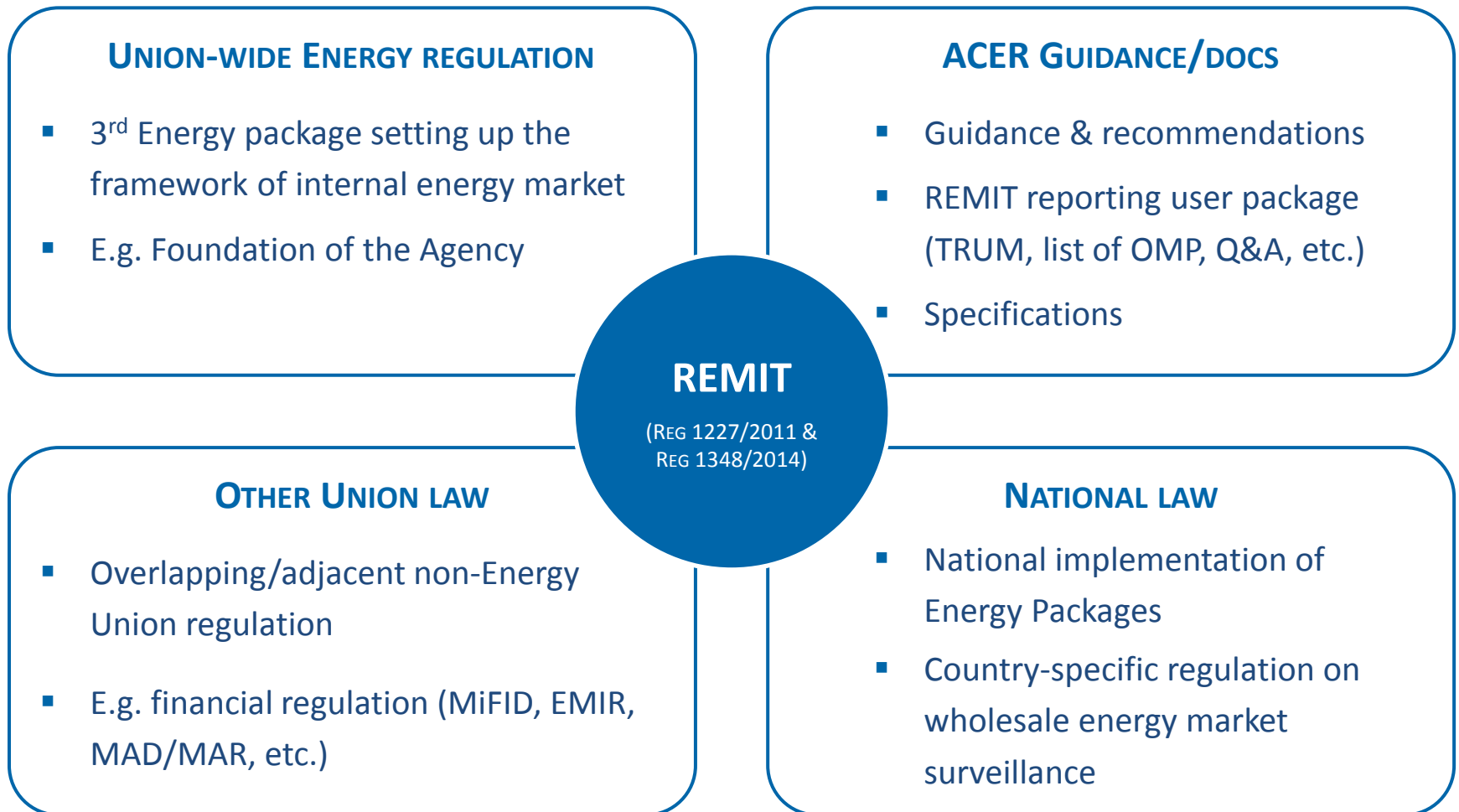
§4 Publication of insider information

§8 Report data

§9 Registration as market participants

§15 Notification of suspects by PPAT

Regulatory framework – Overview





Union-wide energy regulation

DIRECTIVE LEVEL



Dir 72/2009

"Electricity directive"



Dir 73/2009

"Gas directive"

MAJOR REGULATIONS



Reg 713/2009

"Agency regulation"



Reg 714/2009

"Cross-border regulation"



Reg 715/2009

"Gas transmission regulation"

DETAILING



Substantial number of network codes, guidelines, etc.

The provisions of the 3rd Energy Package prepare:

- Foundation of internal energy market
- Boundary restrictions on markets and market rules
- Definition of fundamental notions and market roles
- Scope and objectives of 3rd Energy Package (and thus wholesale markets)

The 3rd Energy Package sets framework and purpose for market surveillance.



ACER Guidance and documents

ACER GUIDANCE ON REMIT

- Scope of REMIT
- Key definitions (inside information, market abuse, PPAT, etc.)
- Clarification on registration requirement

TRANSACTION USER MANUAL (TRUM)

- Focus on clarification of scope of reporting (What to report? Who reports? Etc.)
- Explanations and details on required data fields

LISTS OF OMP, RRM, STANDARD CONTRACTS

- Publication of list of OMP and list of standard contracts pursuant §3(2) of REMIT implementing acts
- Publication of list of registered reporting mechanisms

MANUAL OF PROCEDURES (MoP)

- Details and explanation on procedures, standards and electronic formats for transaction and fundamental data reporting
- xml-schema

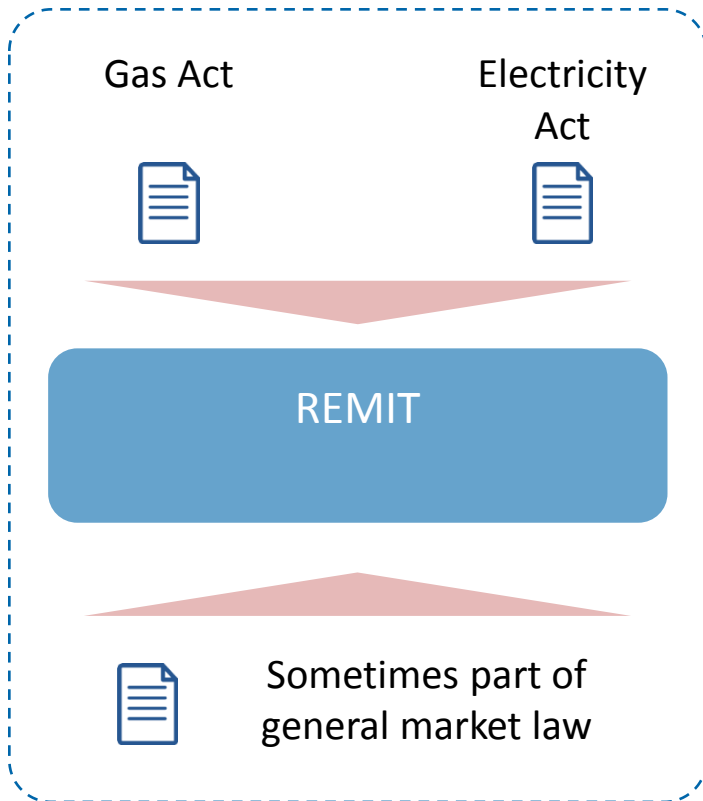
Q&A AND FAQ DOCUMENTS

- General Q&A document (answers aligned across NRAs and ACER)
- Selection of frequently asked questions

ACER provides guidance and interpretations of REMIT and related regulation on a continuous basis. Important Source: <https://www.acer-remit.eu/portal/public-documentation>



National law



CONTENT

- Implementation of provisions as required in REMIT (e.g. regarding investigation / enforcement)
 - On-site inspections, access to data, require temporary stop of professional activity
 - Data exchange with financial and competition authority
 - Right to publish sentences
 - Support investigation of prosecutors (e.g. with analyses etc.) or to conduct prosecution themselves

National implementation in the EU is diverse especially wrt. enforcement powers



Other Union law

Other Union-wide regulation potentially affects energy markets in general and wholesale market surveillance in particular:

MiFID 2 / MiFIR

- Reporting requirements on financial instruments (if person is „investment firm“)
- Definition of „financial instrument“ potentially covers REMIT-relevant data

EMIR

- Reporting requirements on OTC derivative contracts
- Potential overlap in scope between EMIR and REMIT reporting requirements

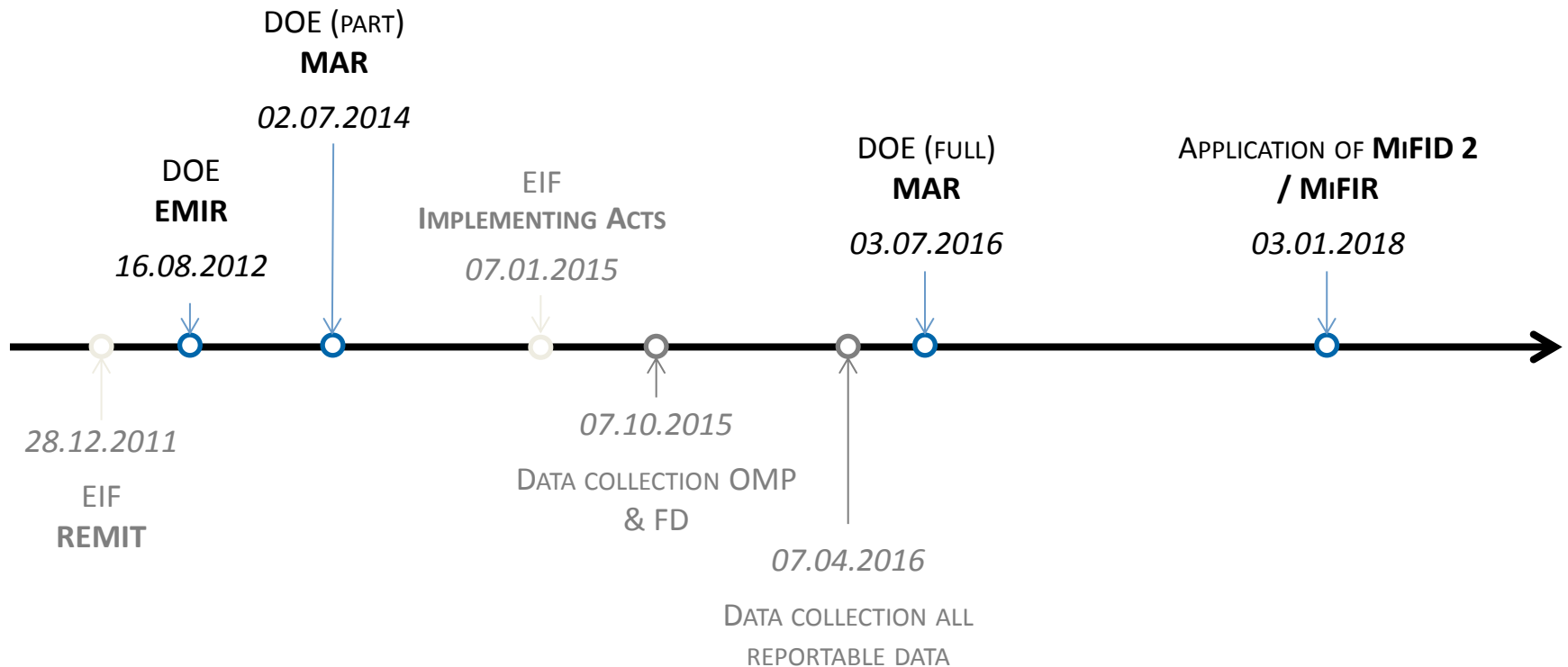
MAD / MAR

- Regulatory framework on insider dealing, unlawful disclosure of inside information and market manipulation *in financial markets*
- MAD carve-out in §1(2) REMIT
- Similar definitions

Remark: REMIT reporting on wholesale energy market product is fulfilled if reported under EMIR / MiFID (see §6(5) of IREG)

Energy markets are also affected by developing financial regulation. The extent of the impact is at the moment still uncertain!

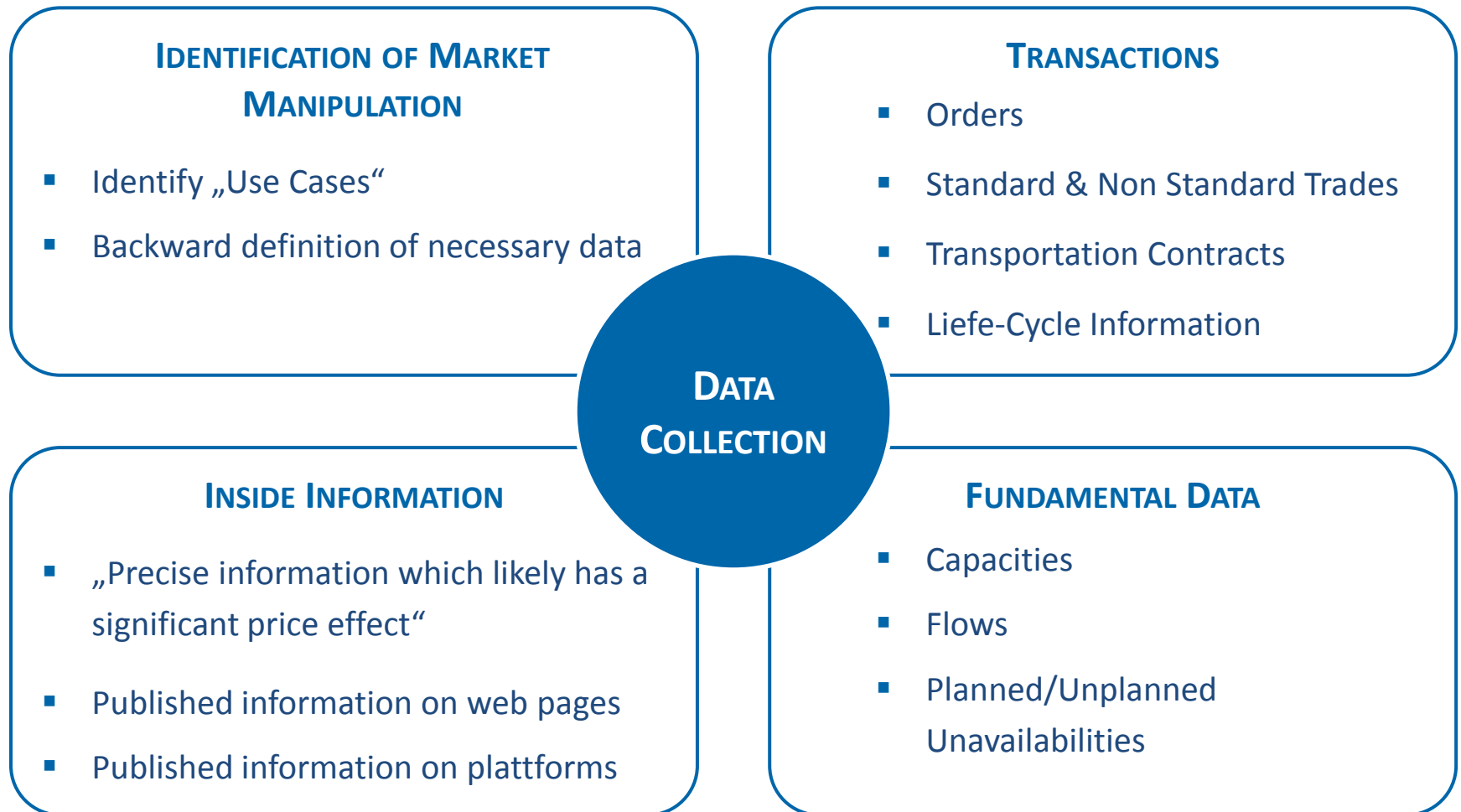
Timeline for REMIT- implementation^[1]

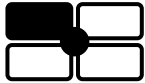


Implementation of 3rd Energy Package

[1] EIF ... Entry into force; FD ... Fundamental data; DOE ... Date of effect; MAR ... Market Abuse Regulation; MiFID ... Market in Financial instruments Directive

Data Collection under REMIT





Identification of Market Manipulation

TYPES	Art 3 <i>Insider Trading</i>	Art 5 <i>Price Manipulation</i>	
DATA TYPES	Transactions <i>Including orders to trade Backbone of surveillance</i>	Fundamental Data <i>Check Publication of inside information Plausibility check of transactions</i>	Inside Information <i>Time Stamps, Content</i>

Registration with NRA:

- Identification of all market participants to finally create unique ID in ACER Database
- So far some 11 k Market Participants have registered in the EU

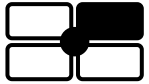
Inside Information:

- Correlate information publication with transactions
- Order of events is very important → Correct timestamps essential

Price Manipulation:

- Typically exercise non profitable trade to benefit under some other contracts
- Often involves combination of manipulation of underlying with a view to benefit in derivatives or long term contracts based on indices
- Covers the whole life-cycle (especially orders may be initiated and withdrawn rapidly)

All Data Types are necessary to effectively assess potential manipulation



Transactions (1/2)

ORDERS TO TRADE

- May have similar effect in continuous markets on price formation as trades (Table 1 of **Implementing Act**)
- Transmit d+1

STANDARD CONTRACTS

- Prices of transactions are typically public and may influence price expectations of market participants
- Core element of REMIT (Table 1 of **IA**)
- Transmit d+1

LOOK ALIKE CONTRACTS

- Off Venue traded Standard Contracts (Table 1 of **IA**)
- Typically transmitted d+30 (recent information from ACER)

NON STANDARD CONTRACTS

- Typically refer to some underlying standard contract price (index) (Table 2 of **IA**)
- Small changes in indexes may have major consequences for non standard contracts
- Transmission d+30

Transmission to ACER via RRM (Registered Reporting Mechanisms)



Transportation Transactions (2/2)

ORDERS TO TRADE

- May have similar effect on price formation as trades depending on the auction or market mechanism (Table 3,4 of Implementing Act))
- Transmit d+1

STANDARD CONTRACTS

- Primary and Secondary Allocation
- Core element of REMIT (Table 3,4 of IA)
- Transmit d+1

NON STANDARD CONTRACTS (SECONDARY MARKET)

- May refer to the underlying price in the primary allocation
- Transmission d+30

Transmission to ACER via RRM (Registered Reporting Mechanisms)



Fundamental Data

ENTSO E/G	<ul style="list-style-type: none">▪ Capacity, Use of Capacity, Consumption, Production▪ Planned and unplanned unavailabilities▪ Transmit ASAP
TSO	<ul style="list-style-type: none">▪ Cross zonal nominations▪ Transmit D+1
SSO	<ul style="list-style-type: none">▪ Technical, contracted, available capacity▪ Flows and stock of gas▪ Transmit D+1▪ Planned and unplanned unavailability▪ Transmit ASAP
LSO	<ul style="list-style-type: none">▪ Technical, contracted, available capacity▪ Transmit d+1▪ Planned and unplanned unavailability▪ Transmit ASAP
MARKET PARTICIPANTS	<ul style="list-style-type: none">▪ LNG shipping data (name of ship, volume, date of loading,...)▪ Stored Gas▪ Transmit d+1



Inside Information

PUBLICATION

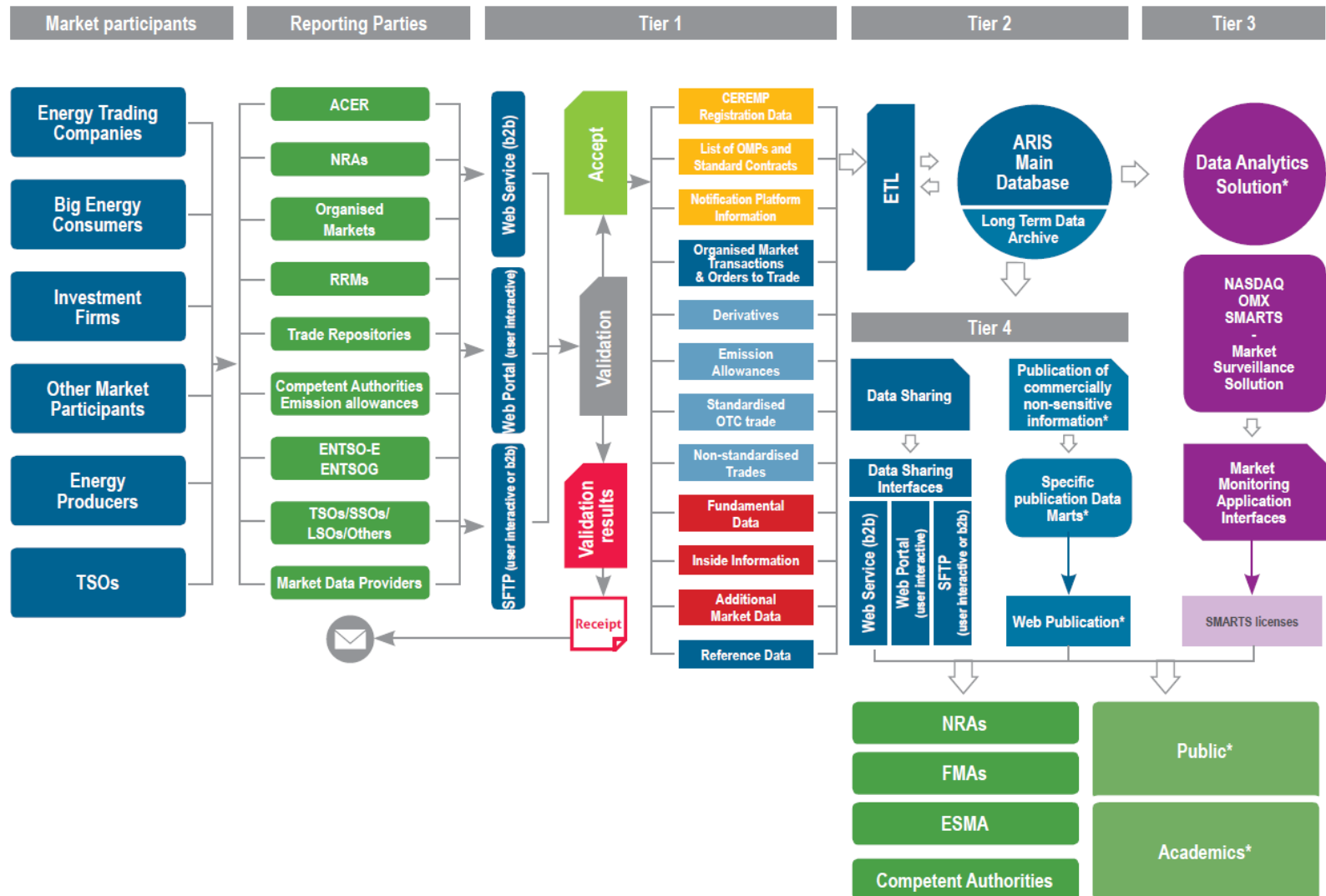
- Choice using Transparency Platform or own web page
- Important: Reliability, speed → no trading before publication
- Most companies use web page as backup to platform and install a trade stop functionality internally
- Publish Information ASAP
- Provide Web Feed

FORMAT

- ACER consulted on a specific format
- Not to be implemented in near future

Establish pull mechanism for ACER to load the information in a defined format

ACER's Data Collection



*postponed

Status of the Project

DATA COLLECTION

- No major technical issues in terms of data collection
- ACER and NRAs collaborating to improve data quality, mainly to further clarify TRUM in order to guarantee a common understanding of data
- Data sharing between ACER and NRAs is progressing

DATA ANALYSIS

- ACER is processing data to identify issues
- PPATs (Brokers, Exchanges,...) which have the obligation to install a market surveillance are reporting to ACER and NRAs
- Whistle Blowers inform authorities about alleged misbehaviour
- More and more NRAs install surveillance software

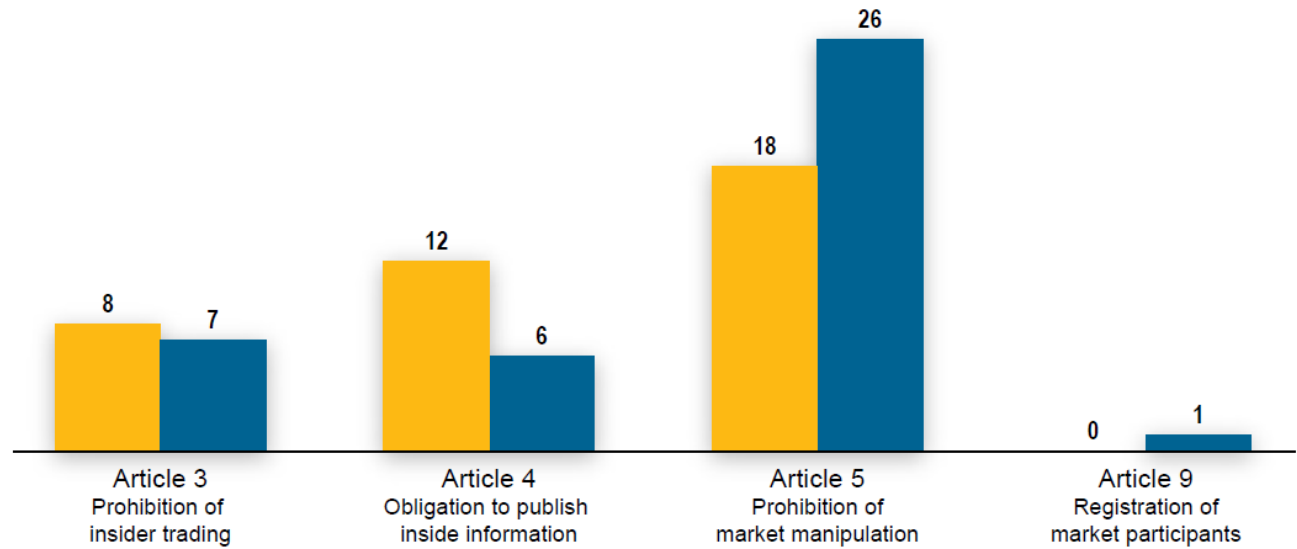
COLLABORATION

- Formation of a system of regional collaboration
- Cases are typically handled cross border by NRAs, as needed
- Information is brought to the attention of other authorities, as needed

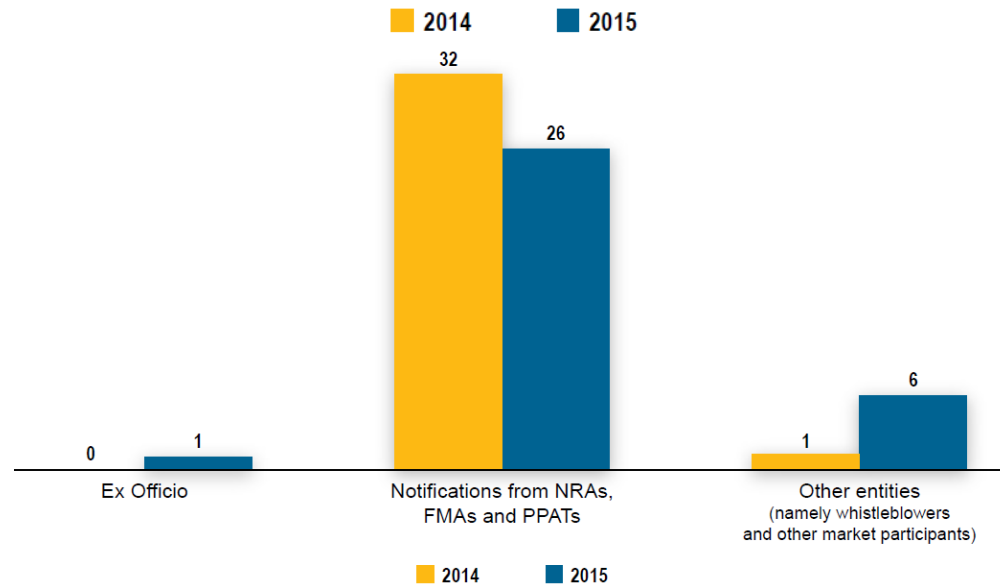
NEXT STEPS

- Collect financial data via Trade repositories/FSAs
- Fine tuning of data formats
- Install daily routine work flows between ACER and NRAs

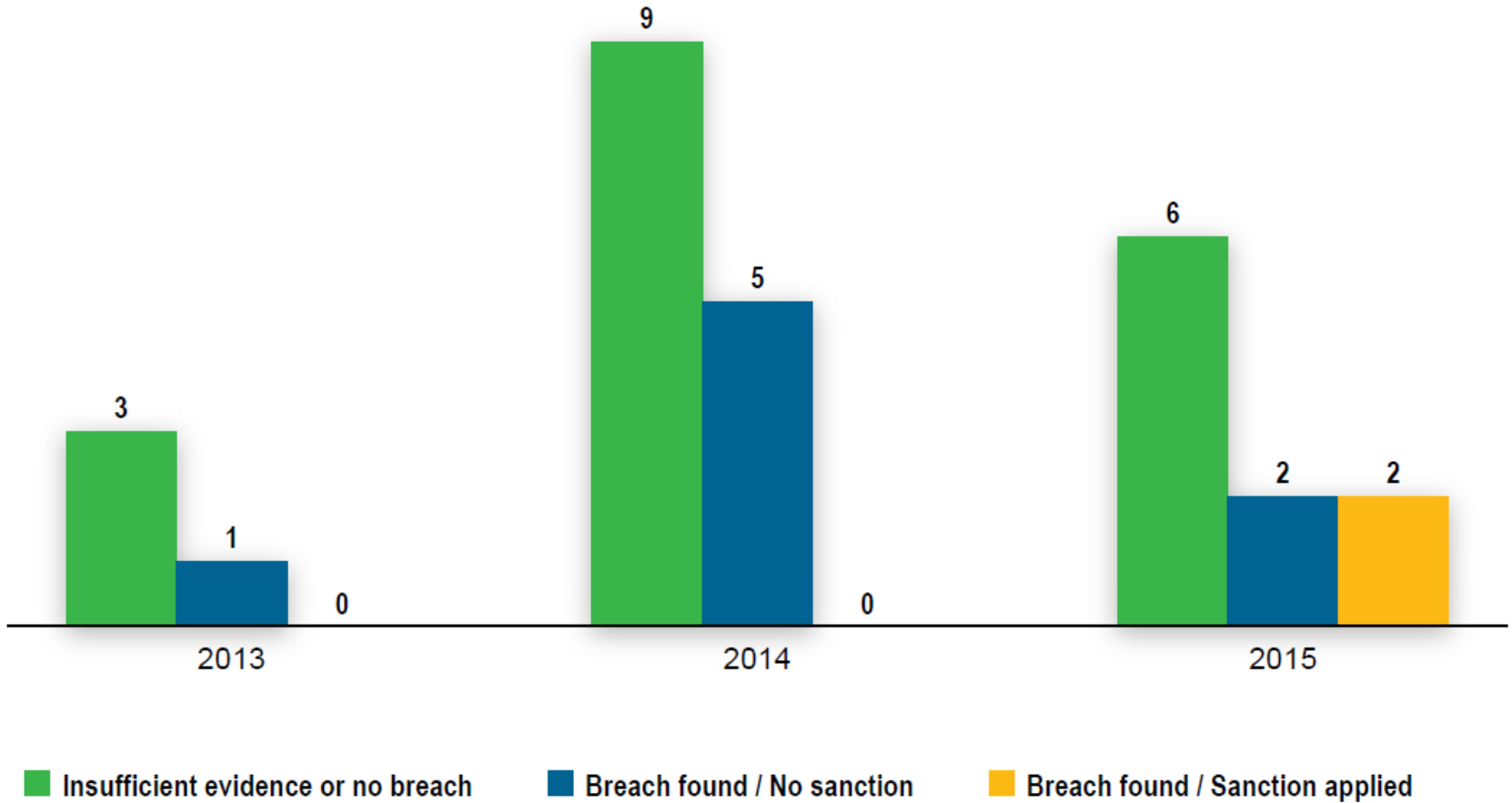
Types of potential breaches



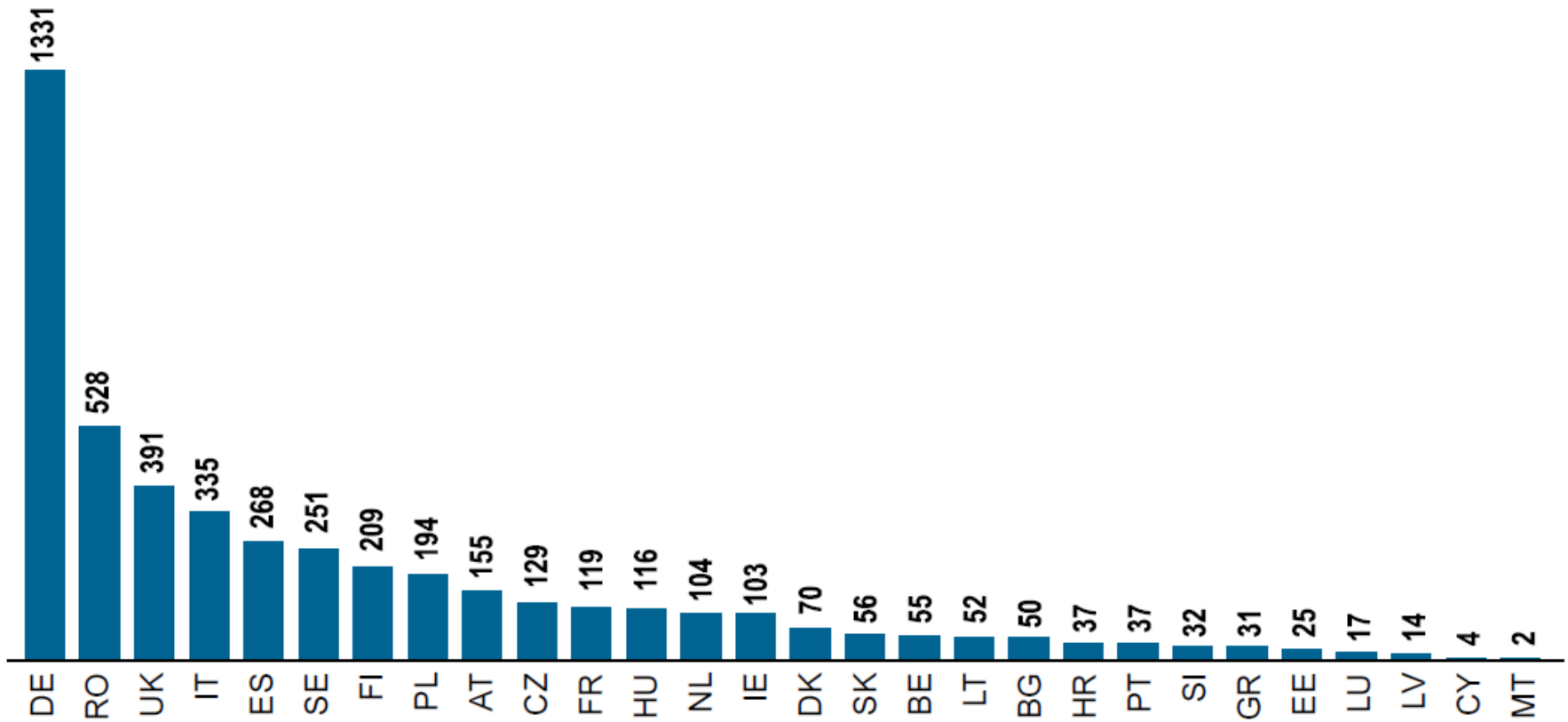
Origin of new cases



Cases closed in 2013, 2014 and 2015

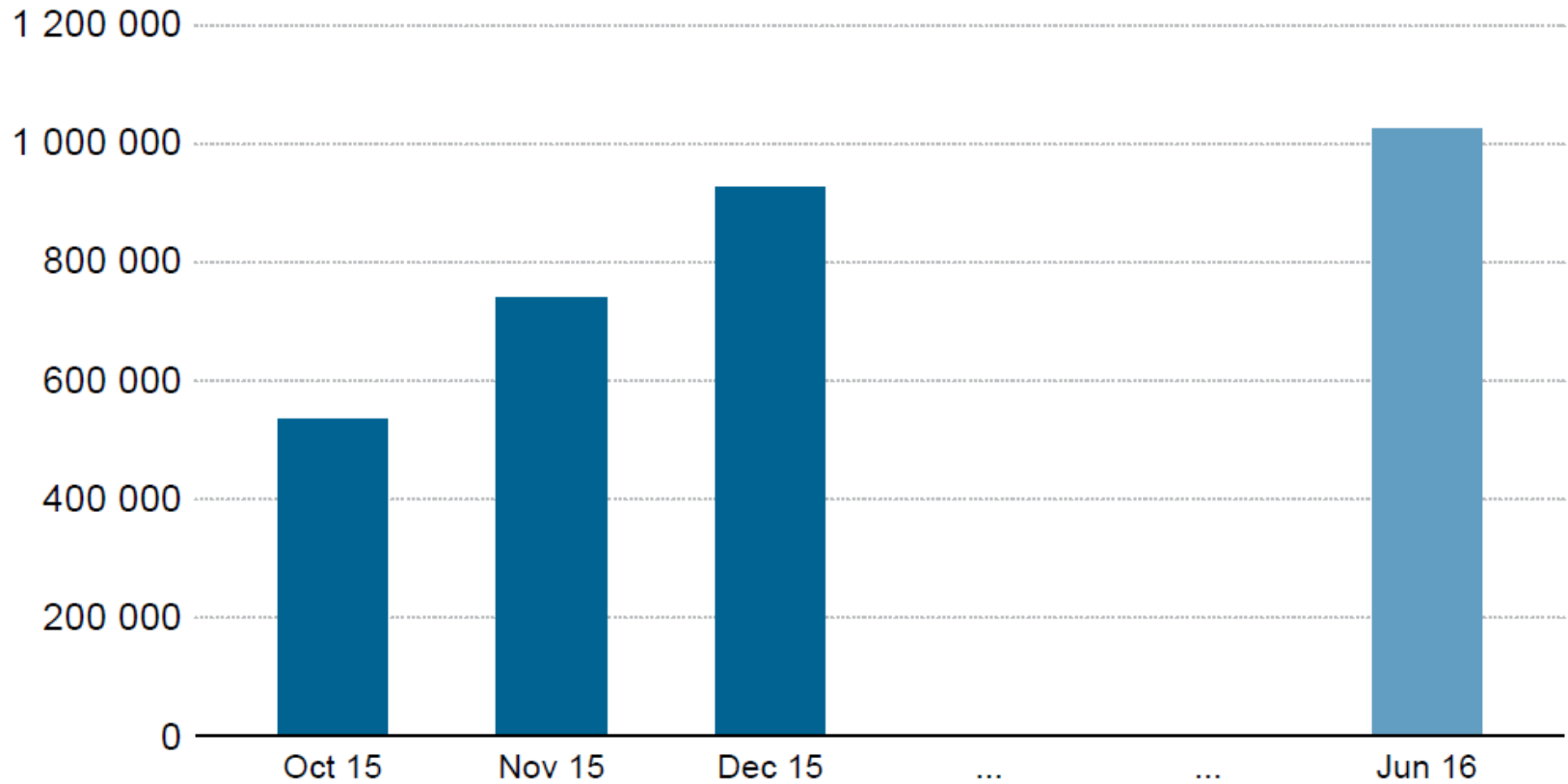


Number of registered market participants on 31/12/2015



Number of Market Participants increased to over 11 000 today

Approximate number of transaction records recorded per day



A blue European Union flag with twelve yellow stars arranged in a circle, waving on a flagpole against a blue sky with light clouds. The name 'Walter Boltz' is written in white text across the center of the flag.

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THANK YOU FOR YOUR ATTENTION!