


ACER

 Agency for the Cooperation
of Energy Regulators

The Agency's first Annual Report on its activities under REMIT in 2012

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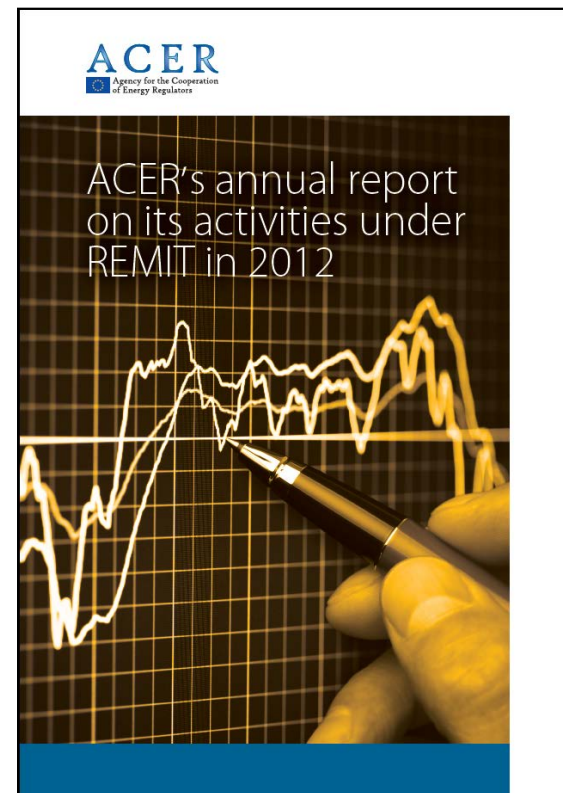
**Public Workshop on REMIT implementation
Ljubljana, 7 November 2013**

- Introduction
- The Agency's activities under REMIT
 - » Implementation activities in 2012
 - » Market monitoring and coordination activities
- Assessment of the operation and transparency of wholesale energy markets
- Conclusions and recommendations

“Agency shall at least on an annual basis submit a report to the Commission on its activities under this Regulation and make this report publicly available. In such reports the Agency shall assess the operation and transparency of different categories of market places and ways of trading and may make recommendations to the Commission as regards market rules, standards, and procedures which could improve market integrity and the functioning of the internal market. It may also evaluate whether any minimum requirements for organised markets could contribute to enhanced market transparency.”

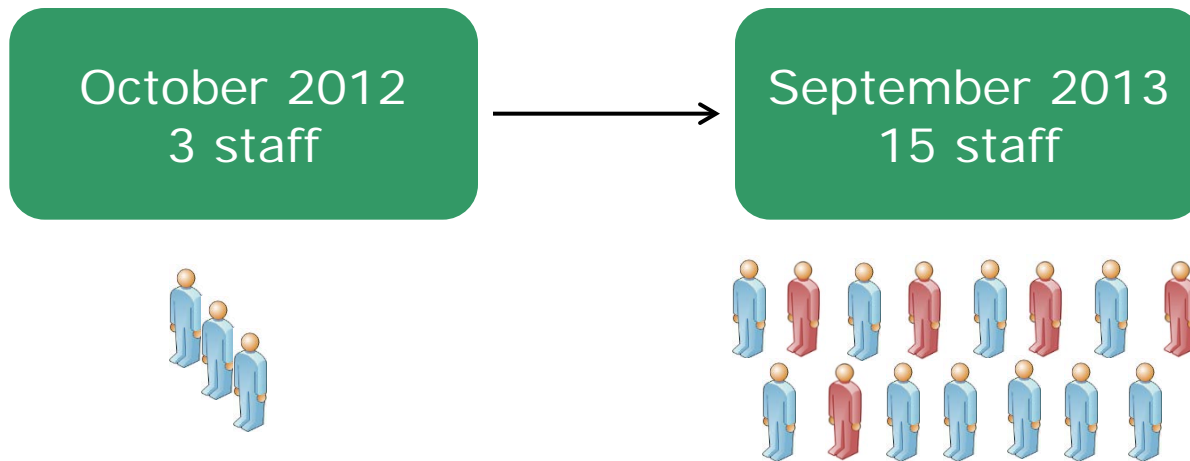
Article 7(3) of REMIT

- The report includes:
 - » A presentation of the activities of ACER with regards to the REMIT implementation stage
 - » ACER's monitoring activities in wholesale energy products
 - » An assessment of the operation and transparency of market places
 - » Conclusions and recommendations
- ACER recognises the importance of informing the public of its REMIT activities, in particular as not all REMIT activities of ACER result in public actions.

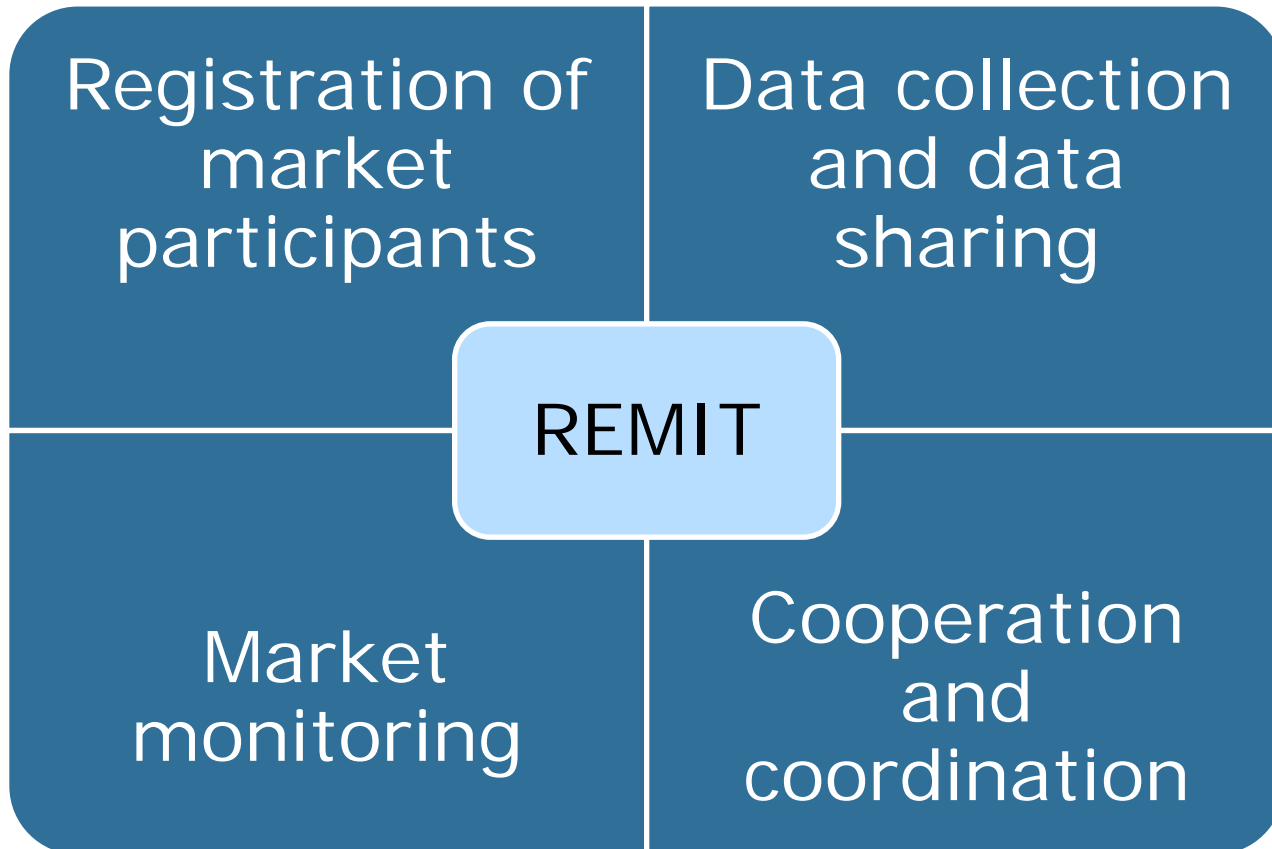


- Establishing the centralised European register of wholesale energy market participants
- Collecting information on transactions, including orders to trade, in wholesale energy products as well as “fundamental data” on the physical state of the energy systems
- Performing an initial analysis and assessment of the collected data to identify instances of possible market abuse (market manipulation, attempted market manipulation and insider trading)
- To notify potential breaches of REMIT to NRAs and other competent authorities
- Coordinating the investigation of suspected cases of market abuse by national competent authorities, in particular when they involve more than one jurisdiction

	ACER	NRAs
Data Collection	✓	Have access to data collected by ACER
Monitoring	✓	May monitor the national markets
Investigation	Coordinates NRAs in cross-border investigations	✓
Enforcement		✓



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Implementation phase

- Focus on development and deployment of IT systems for registration of market participants, data collection and data sharing, and for the effective monitoring of wholesale energy markets.
- Started with the entry into force of REMIT on 28 December 2011.
- Completed within six months of the adoption by the EC of the Implementing Acts (IAs).

Operational phase

- Active market monitoring to detect and prevent trading based on inside information and market manipulation.
- Involves the collection and screening of data to identify instances of possible market abuse and to notify such cases to NRAs who are responsible for investigation and enforcement. ACER will also be responsible for coordinating investigations.

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- Having in mind that market participants are obliged to register at national level, and not directly with the Agency, registration of market participants under REMIT is first and foremost a national process.
- However, ACER shall establish a European register, based on the national registers.
- Activities in 2012
 - » Adoption of the Registration Format on 26 June 2012
 - » Preparatory study
 - » Software development

Roles and responsibilities

• **Market participants** have to register and update the information they provide to NRAs



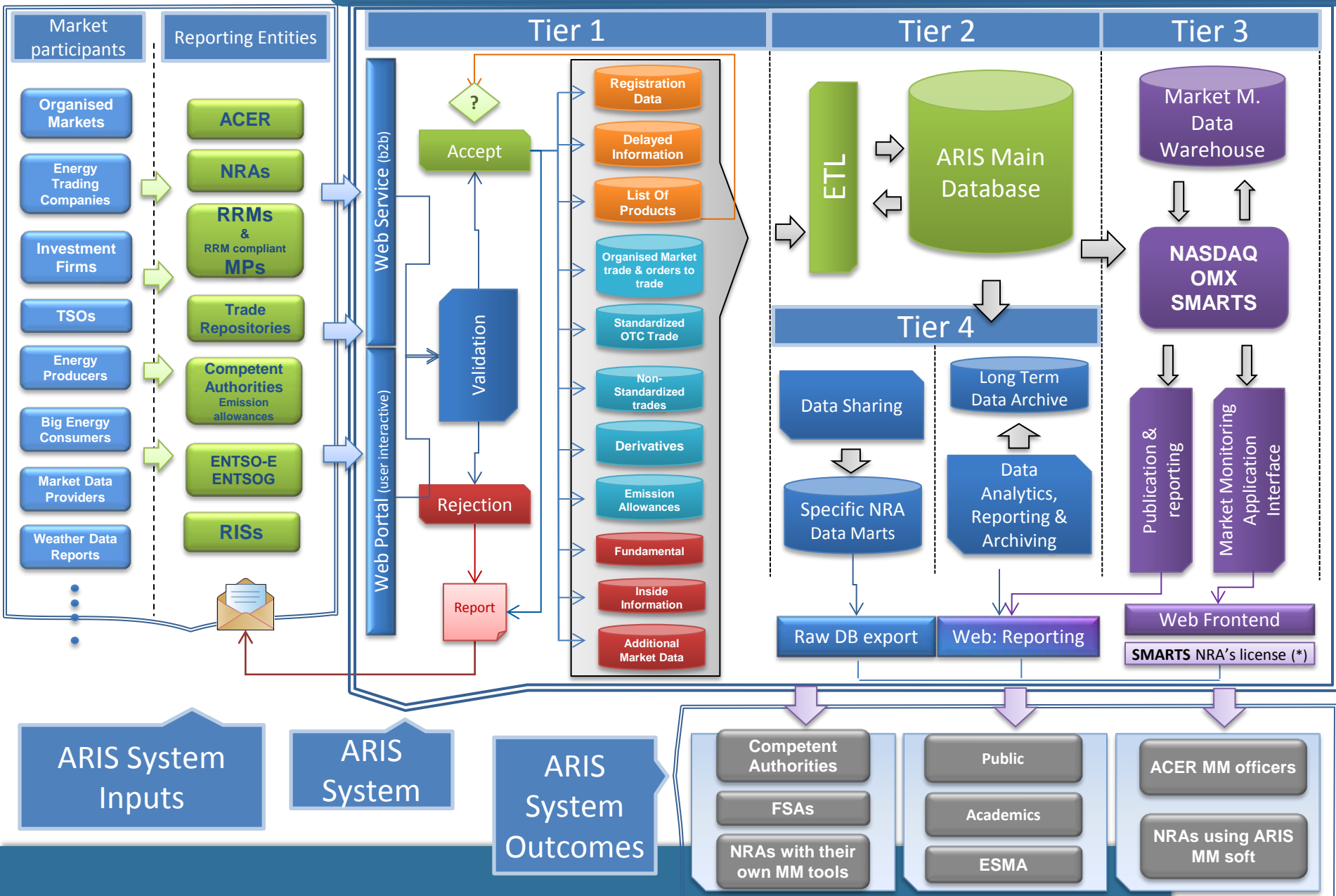
• **NRAs** have set up the national registers of market participants established in their own Member State, as well as the non-EU market participants active in the market of their own Member State



• The **Agency** has to set up and keep up-to-date over time the Centralized European Register of wholesale Energy Market Participants (CEREMP)

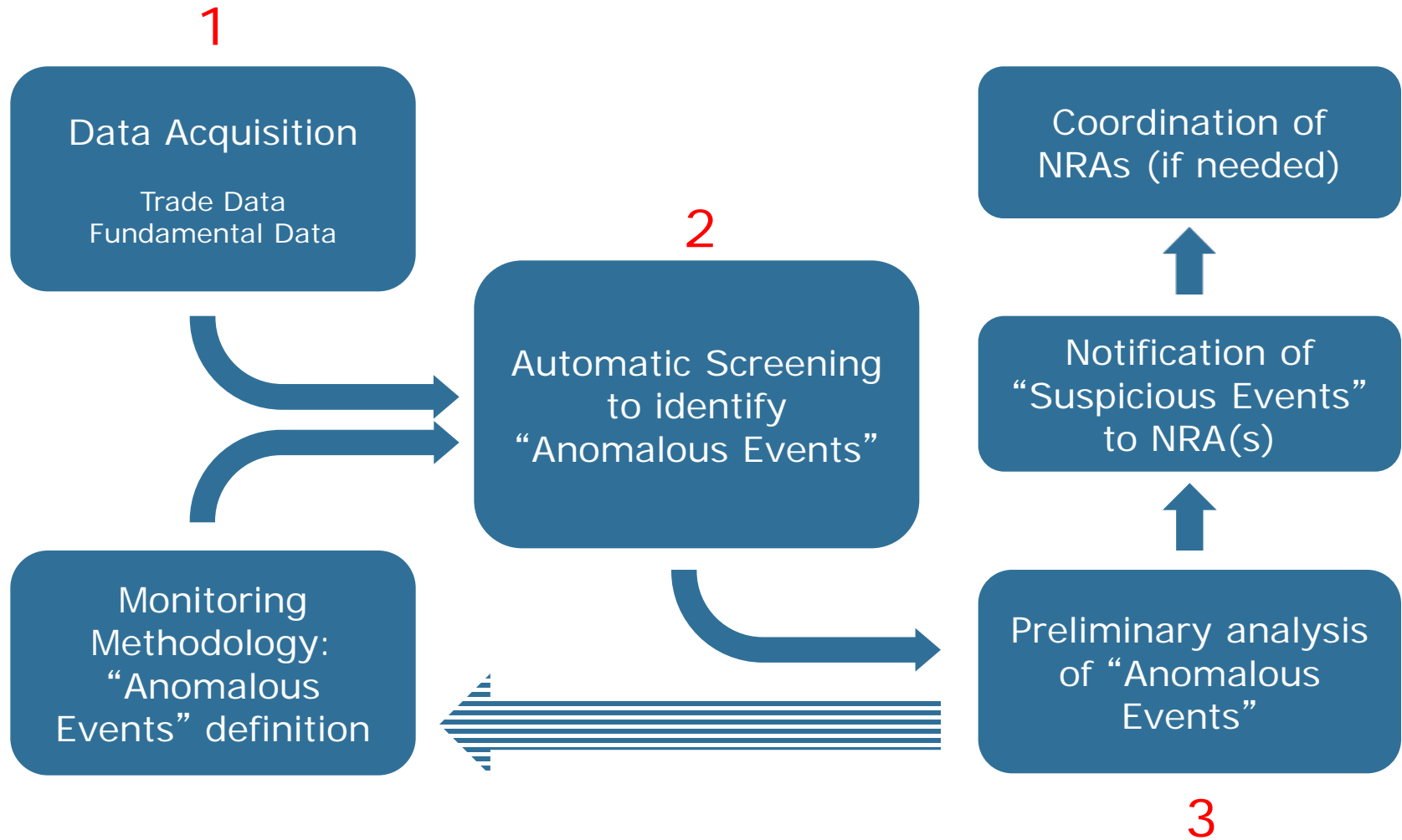
- According to Article 8 of REMIT, market participants shall provide ACER with a record of wholesale energy market transactions as well as with fundamental data.
- According to Article 10 of REMIT, ACER shall establish mechanisms to share information it receives with NRAs, competent financial authorities of the Member States, national competition authorities, ESMA and other relevant authorities.
- Activities in 2012
 - » Recommendations to the Commission as to the records of transactions, including orders to trade, which it considers are necessary to effectively and efficiently monitor wholesale energy markets
 - » Preparatory study
 - » Software development

The Agency's REMIT Information System (ARIS): Overview



- According to Article 7 of REMIT, ACER shall monitor trading activity in wholesale energy products to detect and prevent trading based on inside information and market manipulation.
- According to Article 16 of REMIT, NRAs shall cooperate at regional level and with ACER in carrying out the monitoring of wholesale energy markets, and ensure that the prohibitions of insider trading and market manipulation are applied in accordance with Article 13 of REMIT.
- Activities in 2012
 - » Development of ACER's market monitoring concept
 - » Design study
 - » Software customisation

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ACER

Pan-European market
monitoring

Automatic
screening of
data

Initial
assessment
and analysis



NRAs

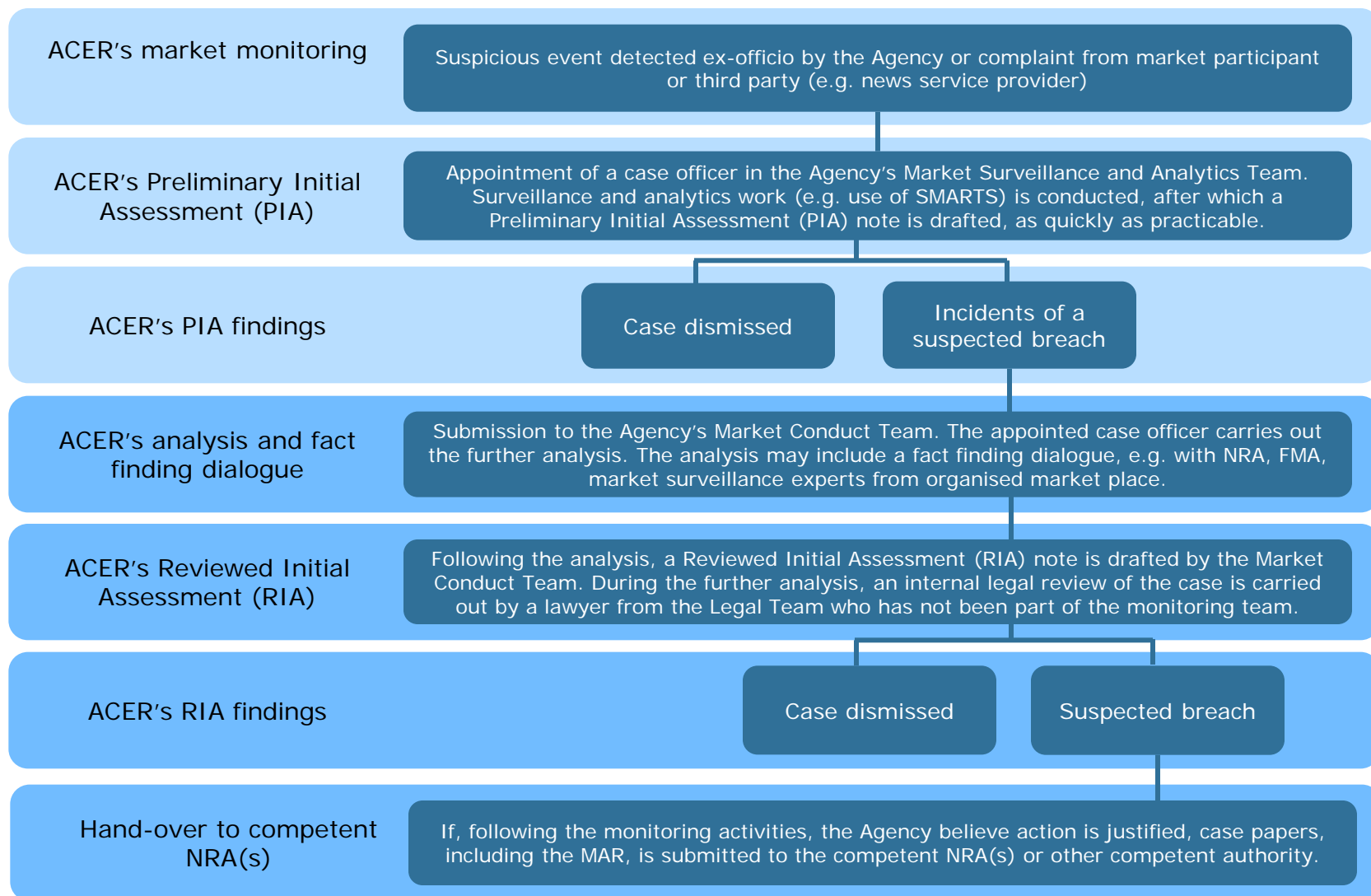
Investigations and
enforcement at national level

Investigation
of suspected
breaches

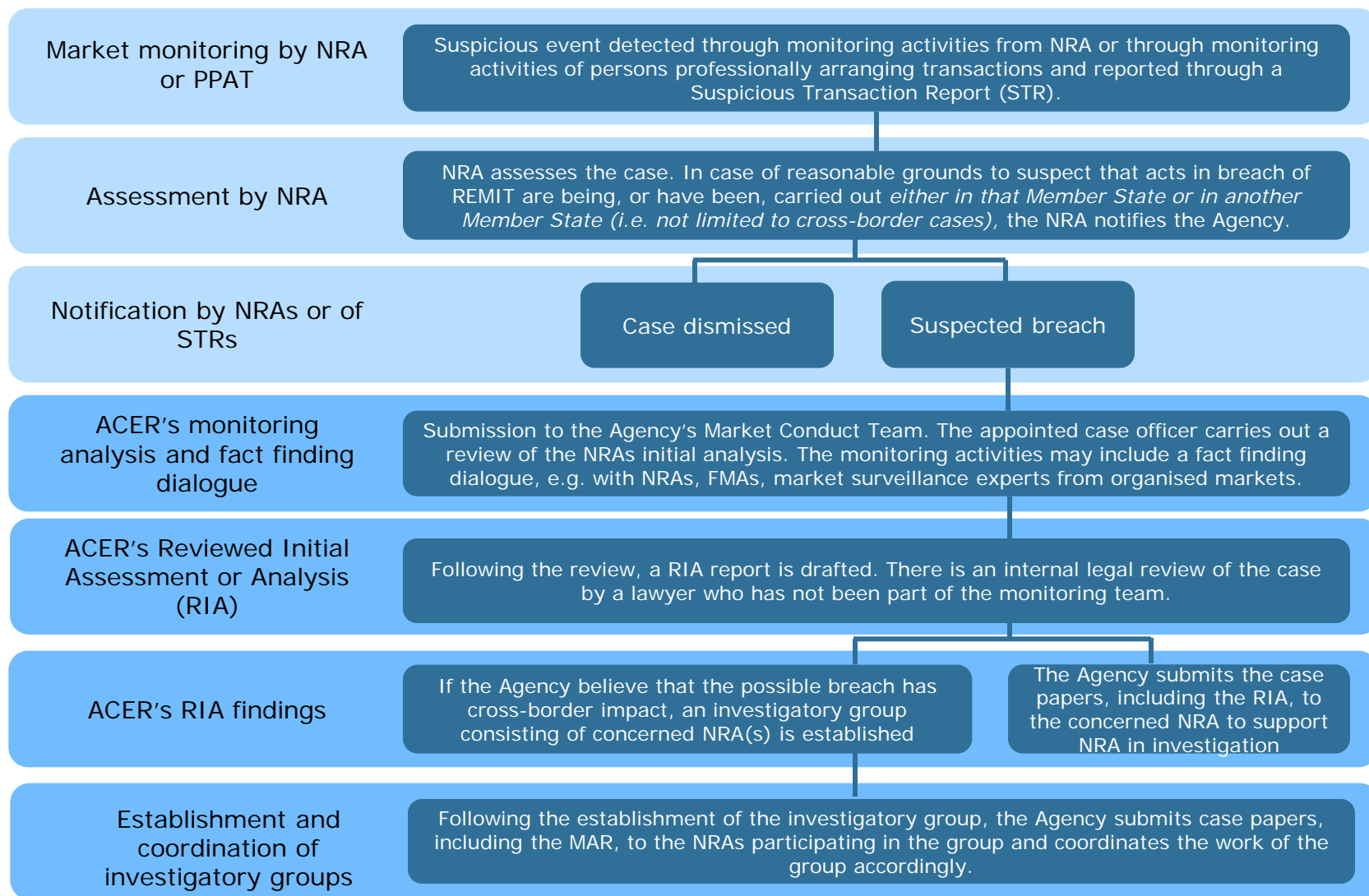
Investigation

Monitoring at national level (optional)

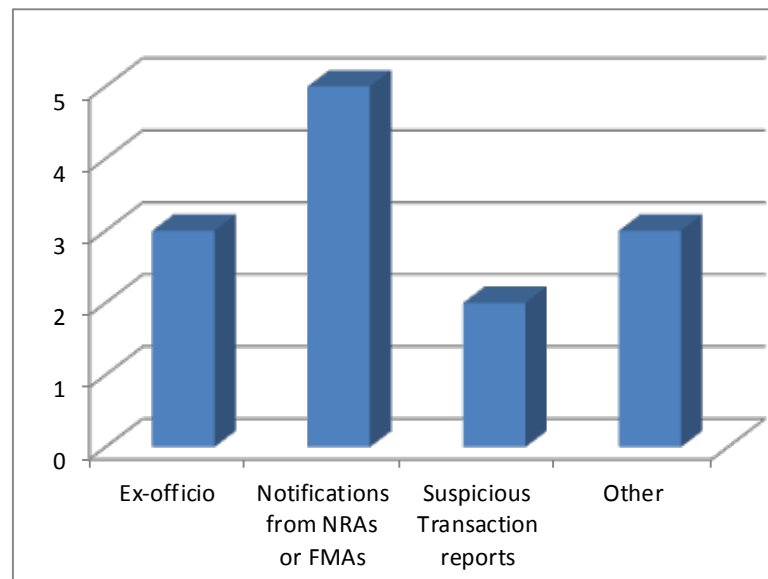
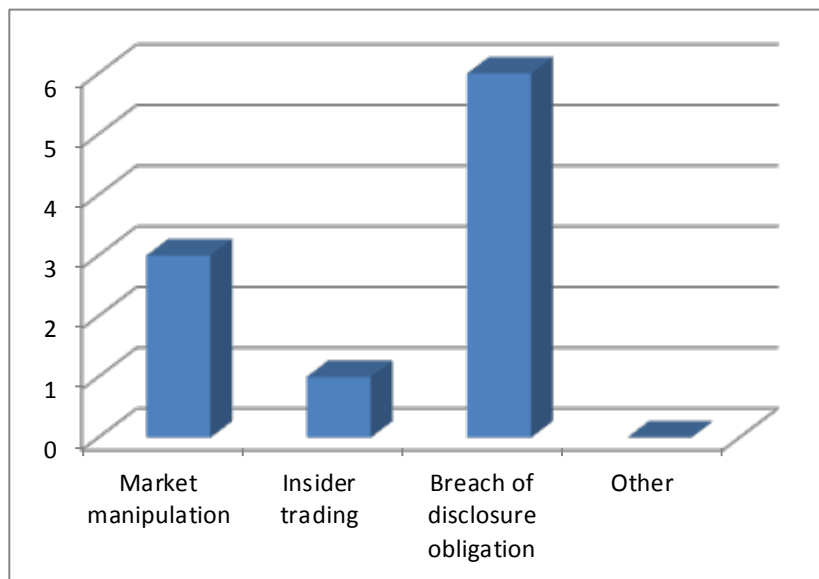
ACER's approach to market monitoring: Ex-officio and complaint cases



ACER's approach to market monitoring: Notifications from NRAs and STR cases



- Due to the fact that data collection under REMIT did not take place in 2012, ACER relied on notifications of suspected breaches of REMIT from NRAs and from persons professionally arranging transactions and on public sources for its market monitoring activities.
- In 2012, a total of 10 cases of potential breaches of REMIT were reviewed by ACER



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- As data availability at this stage is very limited to ACER without data collection under REMIT, the assessment is primarily based on public sources and secondary information.
- Main conclusions:
 - » Over the last years, electricity and gas prices have significantly converged.
 - » Despite the progress towards creating the IEM, EU wholesale energy markets are still mainly regional in scope
 - » Regarding intraday markets, day-ahead markets and forwards markets, there is progress on market integration and products harmonisation.
 - » As regards balancing markets, still major differences in national market arrangements, both in electricity and gas.
 - » Volumes traded on organised energy markets have increased. However, a large proportion of trading still takes place outside of organised markets.
 - » Overall, the number of market participants is expected to increase.
 - » Currently, only a few national and or regional platforms for the disclosure of inside information exist.

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Recommendations as regards market rules, standards and procedures

ACER confirms its recommendations provided to the Commission on the records of transactions, e.g. that:

- Collection balancing market contracts is postponed until the relevant network codes apply.
- For reasons of operational reliability, the reporting of standardised transactions is performed through RRM. Direct reporting by market participants should be foreseen only for non-standardised contracts.
- Reporting of non-standardised contracts, including a copy of the contract itself, is crucial for an effective and efficient market monitoring of wholesale energy markets.
- It is crucial that reporting of fundamental data covers both reporting of inside information according to Article 4(1) of REMIT and transparency information according to relevant Transparency Regulations. Non-reporting of inside information would undermine the monitoring of the prohibition of insider trading and ignore experiences in EU financial markets.

Recommendations as regards minimum requirements for organised markets

ACER believes that the CEER/ERGEG advice on the regulatory oversight of energy exchanges from 2011 (Ref: C10-WMS-13-03a) is still valid.

The Commission should therefore consider the following for the supervision, governance and role of market surveillance departments of energy spot exchanges, in particular to enable ACER and NRAs to monitor the compliance of persons professionally arranging transactions with Article 15 of REMIT:

- » Supervision and Governance: Minimum standards for a supervisory framework for energy spot exchanges should be harmonised at EU level and each exchange should be subject to appropriate and effective supervision by a competent exchange supervisory authority to increase market integrity
- » Market Surveillance: Each energy exchange should have a clear framework for conducting market surveillance, compliance and enforcement activities and there should be oversight of these activities by an exchange supervisory authority

- The implementation of REMIT is still ongoing and will continue in 2013 and beyond. The ACER Work Programme foresees the following deliverables for 2013:
 - » Contributions in the context of the adoption of the REMIT Implementing Act
 - » Update of the ACER Guidance and cooperation with NRAs, including at regional level
 - » Development of IT solutions for the registration of market participants
 - » Development of IT solutions for the market surveillance, data collection, and data sharing
 - » Definition of the wholesale energy market monitoring strategy for the effective implementation of REMIT, including cooperation with ESMA
 - » Definition of mechanisms for sharing the information among the Agency, NRAs, ESMA and other authorities and of transparent rules for the dissemination of information

A successful REMIT implementation will depend heavily on the appropriate financial and human resources provided to ACER in order to adequately fulfill the additional tasks assigned to it under REMIT

Thank you for your attention!



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