What is REMIT?

Wholesale market monitoring under REMIT

Blaz Kladnik – Triage and Referrals

Market Surveillance and Conduct Department

Energy Transparency Week
Kiev, 9 October 2018
Disclaimer

- The views expressed in this presentation are the views of the speaker and do not necessarily reflect the views of the Director, or of the Agency for the Cooperation of Energy Regulators, or of any of its Boards.

- The Agency for the Cooperation of Energy Regulators does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use.
Outline

1. ACER’s mission and role under REMIT

2. Core activities under REMIT

3. Summary and conclusion
“The purpose of the Agency shall be to assist the [NRAs] in exercising, at [Union] level, the regulatory tasks performed in the Member States and, where necessary, to coordinate their action”.

Article 1(2)
ACER – An expanding role

Third Energy Package
Directives 2009/72/EC and 2009/73/EC and

Regulation (EU) No 838/2010
(on the Inter-TSO Compensation Mechanism)

Regulation on Wholesale Energy Market Integrity and Transparency (REMIT)
(Regulation (EU) No 1227/2011)

Regulation on guidelines for trans-European energy infrastructure
(Regulation (EU) No 347/2013)
A new regulatory and legal framework for the surveillance of wholesale energy markets

- The global financial crisis originated in the U.S. in 2008 dictates a wide reform of the surveillance framework

- Previous regulation:
  - Financial regulation not fully adapted to energy market
  - Energy regulation not fully addressing monitoring of energy markets
  - No optimal coordination and fragmented legislation in relation to cross-border cases
**REMIT at a Glance**

**Transparency**
- **Obligations** for market participants to disclose inside information

**Integrity**
- Explicit **prohibitions** of abusive practices in wholesale energy markets

**Monitoring**
- A new, sector-specific, comprehensive and effective monitoring framework for wholesale energy markets

**Cooperation**
- Close cooperation & coordination between ACER (EU-wide monitoring) and NRAs (national monitoring, investigation and enforcement)
1. ACER’s mission and role under REMIT

2. Core activities under REMIT

3. Summary and conclusion
ACER’s core activities under REMIT

- EU register of market participants
- Data collection and data sharing
- Market monitoring
- Cooperation and coordination
1. ACER’s mission and role under REMIT

2. Core activities under REMIT
   » Registration
   » Data collection
   » Market monitoring
   » Coordination and cooperation

3. Summary and conclusion
Market participants have to register and update the information they provide to NRAs.

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

The Agency has to set up a Centralised European Register of wholesale Energy Market Participants (CEREMP).
CEREMP – Centralised European Register of Energy Market Participants:

- Provides a central register of market participants based on national registers
- Ensures that each market participant has a unique identifier (ACER code)
- Allows an historical database for changes, additions and deletions
- Ensures secure access to appropriate data views to the different authorised parties

Provides NRAs with an integrated system for National registers (for NRAs not developing their own registration system)
Key Figures (May 2018)

- 13,292 Market Participants registered in CEREMP

- Files submitted

  - Table 1 (Standard Contracts) – 5.5 million files
  - Table 2 (Non-Standard Contracts) – 134,000 files
  - Table 3 (Electricity Transportation) – 55,000 files
  - Table 4 (Gas Transportation) – 386,000 files

  - Electricity fundamental data – 2.9 million files
  - Gas fundamental data – 1.3 million files

**Total:** around 10,423,111 files
1. ACER’s mission and role under REMIT

2. Core activities under REMIT
   » Registration
   » Data collection
   » Market monitoring
   » Coordination and cooperation

3. Summary and conclusion
Hierarchy of REMIT rules

1st level

REMIT

2nd level

REMIT Implementing Acts (IAs)
on the basis of Article 8 of REMIT

3rd level

Requirements for the registration of RRMs
(Trade and Fundamental data)

Technical Specifications for RRMs

Transaction Reporting User Manual
(TRUM)

Manual of Procedures on transaction
and Fundamental Data Reporting

09/10/2018
Hierarchy of REMIT rules

1st level

REMIT

2nd level

REMIT Implementing Acts (IAs)
on the basis of Article 8 of REMIT

3rd level

Requirements for the registration of RRMs
(Trade and Fundamental data)

Technical Specifications for RRMs

Article 8 (2) of REMIT – EC shall, by means of Implementing Acts:

- draw up a list of the contracts and derivatives, including orders to trade;
- lay down the timing and form in which that information is to be reported;
- adopt uniform rules on the reporting of information.

Implementing Acts entered into force on 07 January 2015
List of standard contracts

- Article 3(2) of the Implementing Acts:
  "[...] the Agency shall draw up and maintain a public list of standard contracts [...]"
  "[...] organised market places shall submit identifying reference data for each wholesale energy product they admit to trading to the Agency.[...]"

- The purpose of the list is to specify the contract types for which the standard reporting form is applicable.

- All non-listed contract shall be reported using the non-standard reporting form

<table>
<thead>
<tr>
<th>Contract name</th>
<th>Delivery zone</th>
<th>Energy commodity type</th>
<th>Contract type</th>
<th>Load Type</th>
<th>Organised market place ID</th>
<th>Full name of organised market place</th>
<th>Type of organised market place</th>
</tr>
</thead>
</table>

List of standard contracts available at:
http://www.acer-remit.eu
Article 3(2) of the Implementing Acts:

“ [...] the Agency shall draw up a list of organised market places upon entry into force of this regulation. The Agency shall update that list on a timely manner.”

Purpose

- Enable identification of organised market places for the purpose of transaction reporting under Article 6(1)
- Enable organised market places to submit identifying reference data for contracts they admit to trading for the purpose of the list of standard contracts (Article 3(2))

List of organised market places available at:
http://www.acer-remit.eu
Hierarchy of REMIT rules

1st level
- REMIT

2nd level
- REMIT Implementing Acts (IAs) 
on the basis of Article 8 of REMIT

3rd level
- Requirements for the registration of RRMs 
  (Trade and Fundamental data)
  - Technical Specifications for RRMs
  - Transaction Reporting User Manual (TRUM)
  - Manual of Procedures on transaction 
    and Fundamental Data Reporting
- Requirements for Registered Reporting Mechanisms (RRM)
  » Technical and organizational requirements for submitting data

- Agency assesses whether reporting parties comply with the RRM Requirements
  » subsequently registered as such by the Agency

RRM requirements available at http://www.acer-remit.eu
Key Figures (May 2018)

- **116 RRM**s approved and can report REMIT data (47 Third party RRM, 56 TSO/LSO/SSO and 13 other MPs)

- Number of active RRM:
  - 70 for standard contracts (out of 73 approved RRM)
  - 48 for non-standard contracts (out of 56 approved RRM)
  - 28 for electricity transportation (out of 47 approved RRM)
  - 47 for gas transportation (out of 50 approved RRM)

- Number of records of transactions, including orders to trade, since October 2015:
  - More than 10,625,673 contracts, 214,662,000 trades and 1,035,000,000 orders
Hierarchy of REMIT rules

1st level

REMIT

2nd level

REMIT Implementing Acts (IAs)
on the basis of Article 8 of REMIT

Requirements for the registration of RRMss
(Trade and Fundamental data)

3rd level

Technical Specifications for RRMss


09/10/2018
The purpose of the TRUM is

- facilitate reporting by explaining the details of the reportable information
- provide MPs and third party RRM with sufficient guidance to make correct decisions about their transaction reporting obligations

Several consultations with relevant stakeholders on the TRUM

TRUM available at http://www.acer-remit.eu
• Aim to facilitate reporting by explaining the details of the reportable information and defining electronic formats

• Focus is at keeping the document relatively short by referring to existing standards (e.g. IEC, Edigas)

1. ACER’s mission and role under REMIT

2. Core activities under REMIT
   » Registration
   » Data collection
   » Market monitoring
   » Coordination and cooperation

3. Summary and conclusion
Market monitoring

» Detection and deterrence on market abuse

» Market surveillance
  • Including data screening and initial assessment

» Market conduct activities
  • In-depth analysis of potential REMIT breaches
  • Ensuring National Regulatory Authorities carry out their REMIT tasks in a consistent and coordinated way
Market abuse under REMIT


Insider Trading

- Using inside info to trade or trying to trade
- Disclosing inside info to 3rd parties
- Recommending 3rd parties to trade based on this inside info

Market Manipulation

- False/Misleading Signals
- Price Positioning
- Transactions involving Fictitious Devices/Deception
- Dissemination of False or Misleading Information

Attempted Market Manipulation
Disclosing inside info to 3rd parties - Central platforms for electricity

Solien – all EU

Legend:

1. ELEXON
2. EEX
3. HUPX
4. Nord Pool
5. Polish Power Exchange
6. REN
7. GME
8. Solien

* Situation in September 2018
Disclosing inside info to 3rd parties - Central platforms for gas

Legend:

1. CEGH
2. Energinet.dk
3. EEX
4. HUPX
5. National Grid
6. GME
7. Solien
8. Kaasuporsi
9. GET Baltic

* Situation in September 2018

09/10/2018
Surveillance: sources of information for ACER under REMIT

- **Suspicious transaction reports (STRs)**
  - Notifications from Organised Market Places and other PPATs
  - Notifications from National Regulatory Authorities
  - Notifications from Market participants or third parties

- **Market information**
  - Market news
  - ACER’s market observations and regular monitoring
  - Reference data (Data providers)

- **REMIT data reporting**
  - Transaction reporting
  - Fundamental data reporting
  - Urgent Market Messages (UMMs)
Do you have any suspicion on the breach of REMIT?
You can notify the Agency and the relevant NRA(s) through the Notification Platform: [https://www.acer-remit.eu/np/home](https://www.acer-remit.eu/np/home)
REMIT framework
Internal Surveillance

Union wide market monitoring by ACER

- Automatic screening of data
- Initial assessment and analysis

Investigation and Enforcement by National Regulatory Authorities (NRAs)*

- Investigation of suspected breaches
- Enforcement

* NRAs may monitor markets at national level.

09/10/2018
Surveillance: From data to alerts to cases

Data collection
1.6 million records per day

Monitoring Methodology
Currently based on 6 bespoke alerts*

Automatic Screening in SMARTS to identify “anomalous events”

Manually assessing “triggered alerts”

Coordination of NRAs (if needed)

Sharing of manually assessed alerts with NRAs

*An alert is a set of conditions coded in the alert logic that define the trading behaviour. If these conditions are met the alert triggers.
Significant progress has been made in the calibration of bespoke alerts for continuous markets.

The number of alerts per month

- Alerts manually assessed
- Alerts shared with NRAs
- Alerts triggered (secondary axis)

Source: ACER (August 2018)
Conduct: number of potential breaches grows

The number of suspicious market abuse events reported to NRAs and ACER has grown significantly with in 25% of all events involving multiple NRAs which requires coordination.

Number of potential REMIT breach cases reported to/by the Agency

Source: ACER (July 2018)
1. ACER’s mission and role under REMIT

2. Core activities under REMIT
   » Registration
   » Data collection
   » Market monitoring
   » Coordination and cooperation

3. Summary and conclusion
Approach to ensure coordination and consistency

The Agency shall aim to ensure that NRAs carry out their tasks under REMIT in a coordinated and consistent way:

- ACER Guidance and Guidance Notes
- Coordination meetings with in-depth topical presentations
- Cross notification obligations
- Request NRAs any information related to the suspected breach
- Request NRAs to commence an investigation of the suspected breach, and to take appropriate action to remedy any breach found - decision as regards appropriate action is an NRA responsibility
- To establish and coordinate an investigatory group
ACER shall monitor wholesale energy markets at pan-European level.

NRAs may monitor markets at national level.

ACER shall ensure a coordinated and consistent approach.

PPATs* shall monitor their venues.

Surveillance

Case Handling / Conduct

NRAs

- Investigate suspected breaches of REMIT
- Take appropriate action if a breach is found

ACER shall ensure a coordinated and consistent approach.

ACER assists NRAs:
- Preliminary assessment requests to commence an investigation
- Coordinate investigatory groups

* Persons professionally arranging transactions

09/10/2018
ACER coordination and cooperation activities

- AMIT Working Group and Task Forces
- REMIT Coordination Group and Standing Committees
- Expert Groups
  - REMIT ad hoc expert group
  - Ad hoc expert group on energy commodity derivatives
With NRAs, through ACER Working Groups and Task Forces, using the tools (e.g. the Case Management Tool) developed by ACER

MoUs with:

» ESMA (EU Financial Authority)
» Organised Market Places
» FERC (US)

Notification obligations of national financial and competition authorities if energy regulators suspect a breach falling within their jurisdiction
1. ACER’s mission and role under REMIT

2. Core activities under REMIT

3. Summary and conclusion
Summary: what ACER is currently doing in REMIT

- Actively monitoring trading activities in wholesale energy markets in order to detect and prevent ...
  - market manipulation
  - attempted market manipulation
  - trading based on inside information
- Collection of trade and fundamental data
- Screening of data
- Identify instances of possible market abuse
- Reporting to NRAs for investigation and enforcement
- Coordinating and ensuring consistency on REMIT application (on cases)
Conclusion

- REMIT is a relatively new Regulation to ensure a market that operates in full transparency and integrity
- It is directly applicable in all EU countries
- Everything is set up:
  » EU register of market participants
  » Data collection and data sharing
  » Market monitoring
  » Cooperation and coordination
- Some REMIT cases have already made the news
Thank you for your attention!

www.acer.europa.eu