

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, connecting various points across the globe.

# Implementing REMIT in the Contracting Parties **Assessment of the impact**

Energy Community Secretariat  
47th Permanent High Level Group  
*27 June 2017*

- **Background**
- **Impact assessment by ECS**
  - Objective
  - Policy target
  - EU impact assessment
  - Rational for implementation
  - Impact on stakeholders

- Concept paper on implementation of REMIT framework in the Contracting Parties
- Concept for REMIT implementation is presented to PHLG, Athens Forum and ECRB EWG
  - PHLG and AF conclusions: supported the proposal, discussions with ACER, ENTSO-E, G and other stakeholders, supported step-wise approach and prepare an impact assessment
- First meeting on REMIT implementation on CPs with Regulators on 27/06/2017:
  - In general the participants supported the proposal by the ECS
  - For Regulators the key is to ensure resources, people and budgeted
  - ACER noted the importance that additional responsibilities for CPs are foreseen in their budgeted in the coming years
  - Market participants (EFET): the absence of conduct rules and transparency is actually a barrier to enter the market
  - EU Regulator: harmonized regime is important

- Existing rules are insufficient to ensure their stable and orderly functioning of the energy market
- Need to complement the 3<sup>rd</sup> energy package with specific conduct rules for wholesale energy trading
- In particular as the market is continuously evolving
  - Increasing cross-border activity trading activity
  - High price correlation
  - New types of risk
  - Ensuring level of playing field
- No alternative framework was assessed
- REMIT framework proposed with a step-wise implementation approach

Confidence

# Rationale for REMIT implementation in the CPs

Building up on the “wheel” that is there and is working ...

- No alternative framework is assessed or compared

*Three main areas justifying the proposal and the concept:*

## *Market integrity regime*

- Lack of transparency
- Lack of confidence
- Take position on the market based on inside information
- Lack of clarity on what constitutes market abuse
- High risk for abuse behavior in the market

## *Harmonized regime*

- MSs-CPs well interconnected with significant trading activity
- High level of price correlation
- Avoiding/reducing the regulatory gap
- Impact of CPs on MS and vice versa

## *Efficient monitoring*

- Less costs and more efficient for ACER to collect and monitoring
- Efficient market monitoring for MSs
- Advanced monitoring regime for CPs

# Characteristics of the Contracting Parties

- 9 CPs: WB6, Ukraine, Moldova and Georgia
  - Group I – 7 Contracting Parties (AL, BiH, ME, MC, KS, ML, GE)
    - Market participants: 20-50
    - Contracts on annual basis: 50-350
  - Group II – 2 Contracting Parties (UA, RS)
    - Market participants: 50-300
    - Contracts on annual basis: 350-1000
- Most of the above concluded bilaterally
- + day-ahead PX contracts (currently one in Serbia)
- + transmission rights contracts (SEE CAO and other auctions)
- + fundamental data
- Gas market in general underdeveloped

# Impacted stakeholders

## [Contracting Parties]

- *Legal and procedural measures: transposition of REMIT framework into national legislation*

## [Regulatory Authorities]

- *Procedural measures*
- *Need of financial resources for REMIT implementation*
- *Additional 1-2 persons to deal with registration, monitoring & potential investigations, cooperation with stakeholders, etc.*
- *Ensuring cyber security to ensure data security*
- *IT impact*

## [Market participants]

- *Procedural measures ensuring staff is trained and internal policies and processes are in place*
- *Registration and reporting*
- *IT impact*

## [PPATs]

- *IT impact*
- *Surveillance systems in place*
- *Resources to monitoring the market*

***Measures should be proportional and limited to what is needed***

## [ACER]

- *Additional resources for CPs*
- *IT improvements*
- *Data collections and monitoring*
- *Coordination and communication with NRAs from CPs*

Secretariat should put in place arrangements with ACER, ENTSO-E and potentially ENTSO-G

- 9 CPs but small number of market participants and number of data to be reported
- Implementation is conditional to ACER's availability of resources
- ECS view is:
  - REMIT represents cultural change
  - Manageable impact on NRAs, in line with their duty to ensure sound market, though the issue of resources and budgeted is important
  - Little impact on market participants considering the level of activity
  - Putting in place REMIT framework now provides certainty and assurance to new comers – impact on liquidity
  - Avoiding market abuse increases social welfare



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Thank You!

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