Implementing REMIT in the Contracting Parties
Assessment of the impact

Energy Community Secretariat
47th Permanent High Level Group
27 June 2017
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- **Impact assessment by ECS**
  - Objective
  - Policy target
  - EU impact assessment
  - Rational for implementation
  - Impact on stakeholders
Background

- 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 budget 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
EU REMIT impact assessment

- Existing rules are insufficient to ensure their stable and orderly functioning of the energy market
- Need to complement the 3rd 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
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:**

<table>
<thead>
<tr>
<th>Market integrity regime</th>
<th>Harmonized regime</th>
<th>Efficient monitoring</th>
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<tbody>
<tr>
<td>Lack of transparency</td>
<td>MSs-CPs well interconnected with significant trading activity</td>
<td>Less costs and more efficient for ACER to collect and monitoring</td>
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<tr>
<td>Lack of confidence</td>
<td>High level of price correlation</td>
<td>Efficient market monitoring for MSs</td>
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<td>Take position on the market based on inside information</td>
<td>Avoiding/reducing the regulatory gap</td>
<td>Advanced monitoring regime for CPs</td>
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<td>Lack of clarity on what constitutes market abuse</td>
<td>Impact of CPs on MS and vice versa</td>
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<td>High risk for abuse behavior in the market</td>
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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
Summary

• 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 budget 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
Thank You!

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