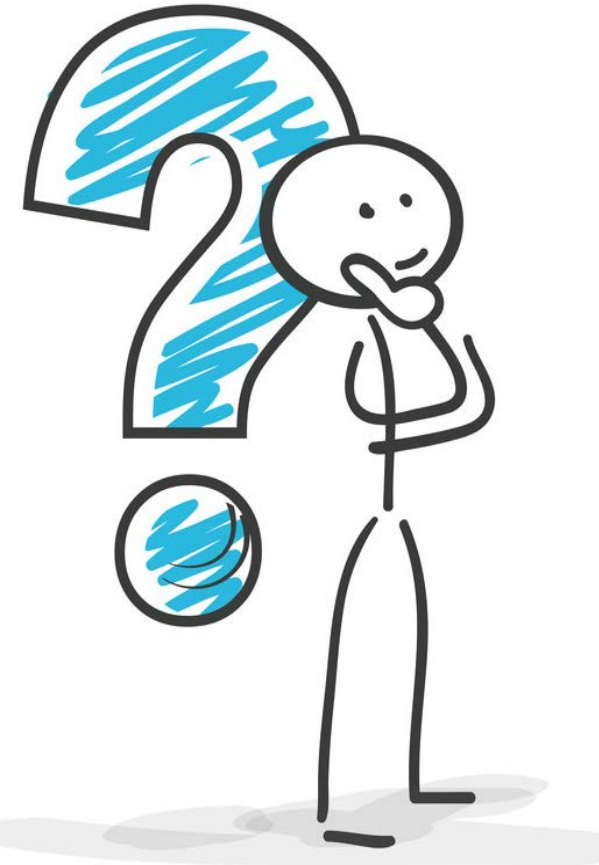




REMIT in the Contracting Parties

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A market we aiming for ...



Secure	Competitive	Sustainable
	<ul style="list-style-type: none"> • Competitive market with freedom of choice • Clear and correct signals for investments and use of resources • Prices are set based on fair interplay between supply and demand reflecting market fundamentals <ul style="list-style-type: none"> • Confidence in this process is key • Level playing field <ul style="list-style-type: none"> • Access to grid and market place • Access to information • Attracts liquidity • Market participants feel safe in taking risks that they can manage via market means 	

Risk we aim to manage ...



Effectively addressing market abuse?

- *Third package does not fully address market abuse and monitoring*
- *In the EU energy market – market abuse is addressed via **REMIT***
- *In the EU financial sector - market abuse is addressed via **MAR***

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
 - Increased trading activity
 - High price correlation
- No alternative framework was assessed
- REMIT framework proposed with a step-wise implementation approach
 - 'Copying' and adapting what was available in the financial markets

Rationale for REMIT implementation in the CPs

Considering ...:

- No alternative framework is assessed or compared
- Recognized the assumptions and findings from the EC impact assessment

...the following are the three main areas justifying the proposal:

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
- Definition of inside information

Efficient monitoring

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

Characteristics

- 9 Contracting Parties: 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 Serbia only)
- + transmission rights contracts (SEE CAO and other auctions)
- + fundamental data
- Gas market in general underdeveloped – *data not included above!*

Framework around REMIT REGULATION (EU) No 1227/2011

REMIT - Level I

- Obligation to publish inside information
- Prohibition of market abuse (insider trading and market manipulation)
- Market Monitoring (registration of market participants / RRMs_{Registered Reporting Mechanism}, data collection, PPAT_{persons professionally arranging transactions})
- Investigatory and enforcement powers to NRAs (penalties)
- Other articles about data protection & reliability

REMIT Implementing Regulation - Level II

- List of contracts and data to be reported
- Responsible parties and deadlines

REMIT guidance - Level III

- Guidance, recommendations, Q&A, RRM requirements, TRUM_{Transaction Reporting User Manual} etc.

Market integrity (4Ps)

Publication of inside information

Prohibition of insider trading

Prohibition of market manipulation

Providing data [to ACER] & Monitoring

REMIT important definitions

Inside Information

- Precise nature
- Not made public
- Relates to wholesale energy products
- Likely to significantly affect the prices
- Required to be disclosed (3rd package, etc.)
- Capacity and use of facilities for production, storage, transmission of electricity and gas

Market participants

- Any person, including TSOs, entering into transactions (incl. placing orders) in 'wholesale energy markets':
- Trading companies, producers, shippers, wholesale consumers, final customers, TSOs, storage operators, LNG operators and investment firms
- REMIT registration

Wholesale energy products

- Contracts for supply of electricity or gas with delivery in EU
- Contracts relating to transport of electricity or gas in EU
- Derivatives relating to electricity or gas produced, traded or delivered
- Derivatives relating to transport of electricity or gas

Wholesale energy market

- Markets within EU where energy products are traded:
- Balancing market, intra-day and day-ahead market
- Forward markets (contracts)
- Derivatives markets
- Markets for transportation capacities and related derivative markets

Obligation to publish inside information



- Market participants to publish inside information *in an effective and timely manner* Art 4 REMIT
- Scope
 - own business, parent/related undertaking
 - information market participant is in control of or responsible
- Content
 - Information relevant to:
 - the capacity and use of facilities for production, storage, consumption or transmission of electricity or gas
 - including planned/unplanned unavailability of such facilities

Prohibition of market abuse under REMIT



- prohibition of **insider trading** Art 3
 1. trading on the basis of such information
 2. disclosing such information to other persons
 3. recommending or inducing others to trade on the basis of such information
- prohibition of **market manipulation** Art 5
 1. false or misleading trade or order to trade
 2. trades attempting to secure certain price level (artificial)
 3. trades based on fictitious devices or deception
 4. disseminating of false and misleading information
- investigatory and enforcement powers for NRAs



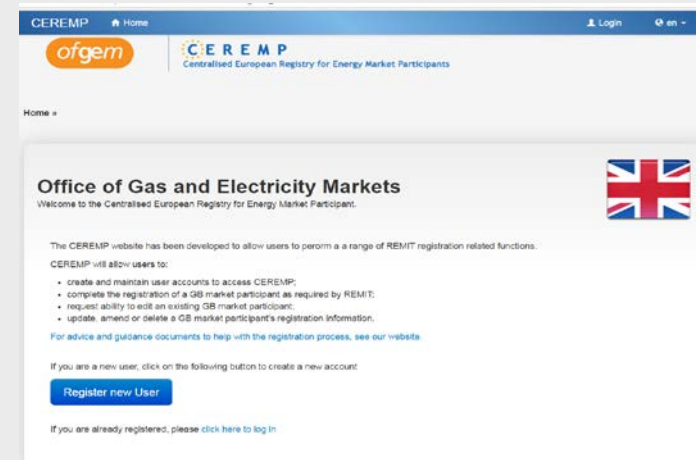
- Data collected by ACER – shared with NRAs and other competent national authorities
- To be reported by market participants to ACER
 - All trades and orders to trade to be reported (**trade data**)
 - Information relating to capacity and use of facility for production, storage, consumption or transmission (**fundamental data**)
- ACER responsible for market monitoring, but not only:
 - NRAs and organised market places (PPATs)
 - PPAT to put in place surveillance systems
- Registration of organised market places and RRM_s Registered Reporting Mechanism
- ACER has in place surveillance system to detect suspicious activity
 - If detected – requests more info via NRAs
 - If market abuse found – request NRAs to impose penalty

Registration requirements

- Required for *all market participants prior to entering* into reportable transactions
- Registration with NRA in the country of establishment
 - NRAs to issue manual on registration and access on CEREMP

Market participants need to:

- Create a CEREMP account
- Provide info about company
 - address, tax no, EIC^{Energy Identification Code}, LEI^{Legal Entity Identifier}, authorised legal representatives, contact persons, etc.
 - Ultimate controller & relationship information
 - Delegated parties for reporting – RRM^{Registered Reporting Mechanism}



Enforcement powers to NRAs

- REMIT goes beyond 3rd package
 - at least is more concrete on powers NRAs should have in ensuring market integrity
- **investigatory and enforcement powers** for NRAs - to be exercised in proportionate manner:
 - directly or in collaboration with other authorities; or
 - by application to the competent judicial authorities
 - Allowing access to relevant information/documentation
 - Carry out on-site inspections
 - Demand information and data traffic records
 - Request court to freeze/sequester assets, etc.
- **Penalty regime** - penalties should be effective and proportionate, reflecting the damage and potential gains

-3rd package-

Electricity Directive

Powers to NRAs in ensuring proper functioning of the market

- Investigate and impose measures
- Require information from undertakings
- Impose penalties

Reportable contracts and orders to trade

What?	When?	By who?
Electricity and gas standard contracts executed via OMP and orders (from forward to intraday and day-after)	T+1	Market participants or relevant OMP (if requested by market participant)
Electricity and gas non-standard contracts executed via OMP and orders (from forward to intraday and day-after)	T+30	Market participants
Transportation contracts and order (primary market)	T+1	TSO / Auction Office
Transportation contracts and orders (secondary market)	T+30	Market participants or relevant OMP
Intragroup contracts (power and gas) Contracts for electricity produced by unit ≤ 10 MW Contracts for gas produced by unit ≤ 20 MW Balancing contract (power and gas)	At the request of ACER	Market participants Market participants Market participants TSPs

Fundamental data reporting



Reportable fundamental data

What?	When?	By who?
Electricity: capacity and use of facility for production, consumption and transmission, incl. lanned and unplanned availabiltiy (Reg. 543/2013, Art. 6-17)	As soon as published on central	ENTSO-E (Art. 7,1 dissagregated) (Art. 16,1,a by T+1)
Gas: capacity and use of facility for transmission, incl. lanned and unplanned availabiltiy (Reg. 715/2009, Art. 3.3(1) and 3.3(5))	As soon as published on central	ENTSO-G
Gas: day-ahead nominations and re-nominations of capacity on interconnection, entry from production/storage, exit to a single consumer/storage, LNG facilities and hubs (disagregated)	T+1	TSOs
LNG: technical, contracted and available capacity; send-out and inventory; planned and unplanned unavailability of the LNG facility	T+1 (asap)	LNG SOs
LNG: date and volume of unloading and reloading; name and size of the ship and name of the terminal; Planned unloading and reloading	T+1 Month ahead	Market participant (LNG SOs on its behalf)
Gas: technical, contracted and available capacity; gas in stock, injections and woithdrawals; planned and unplanned unavailability of the storage facility	T+1 (asap)	SSO
Gas: amount of gas stored at the end of gas day	T+1	Market participant (SSOs on its behalf)

REMIT – proposing the “light” regime

Proposed for transposition: **complete REMIT** with all its components

- 1st step – 6 months after the transposition: Transparency, prohibition of market abuse, registration of market participants, Investigatory and enforcement powers to regulators (incl. penalty regime)
- *2nd step – 18 months after the transposition:* Data collection, monitoring, exchange of data between regulators, etc.
- Role of ACER and ENTSOs as for EU entities

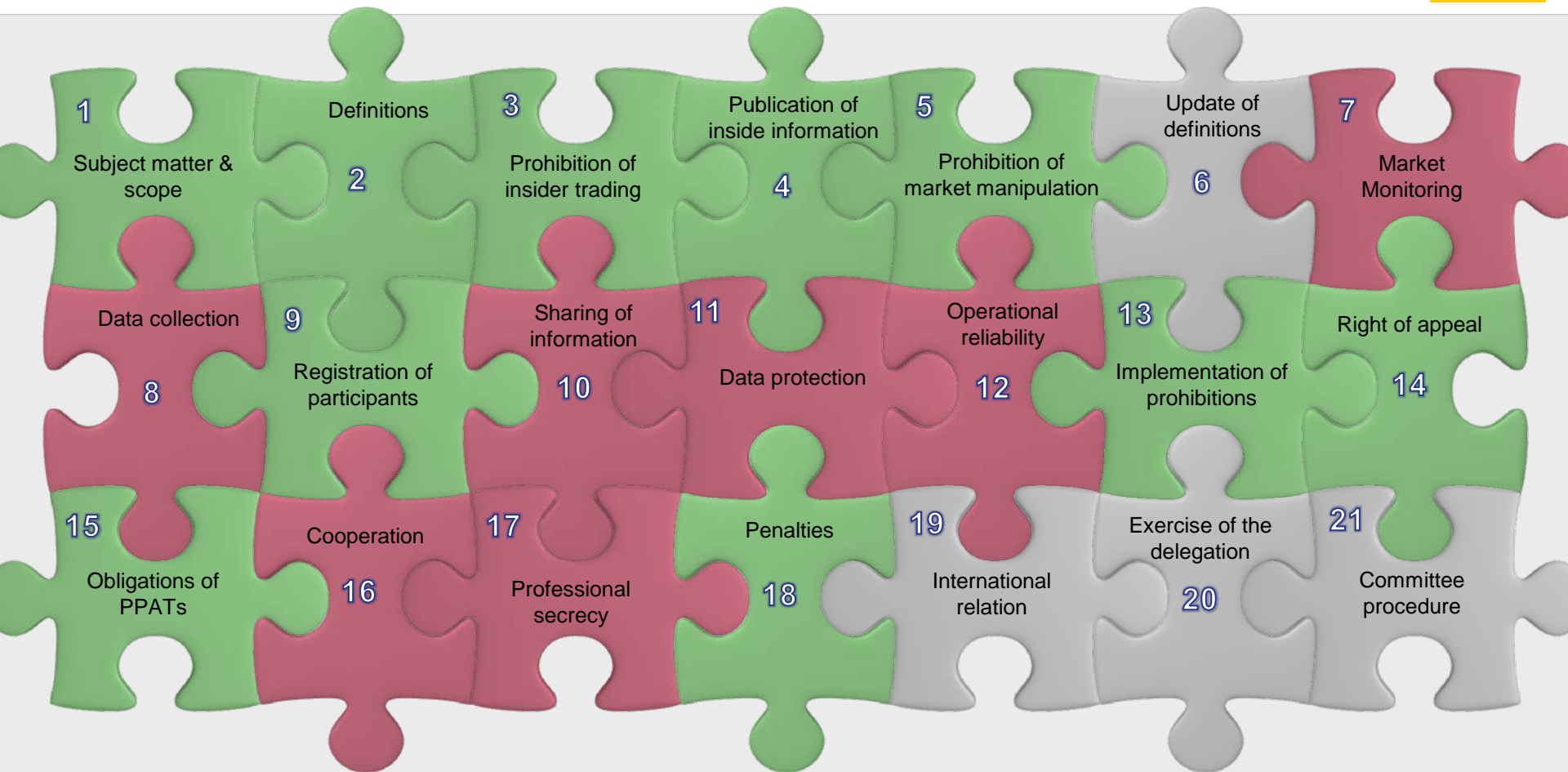
Fixed roadmap for complete transposition

New proposal for transposition: **REMIT light** (only first step)

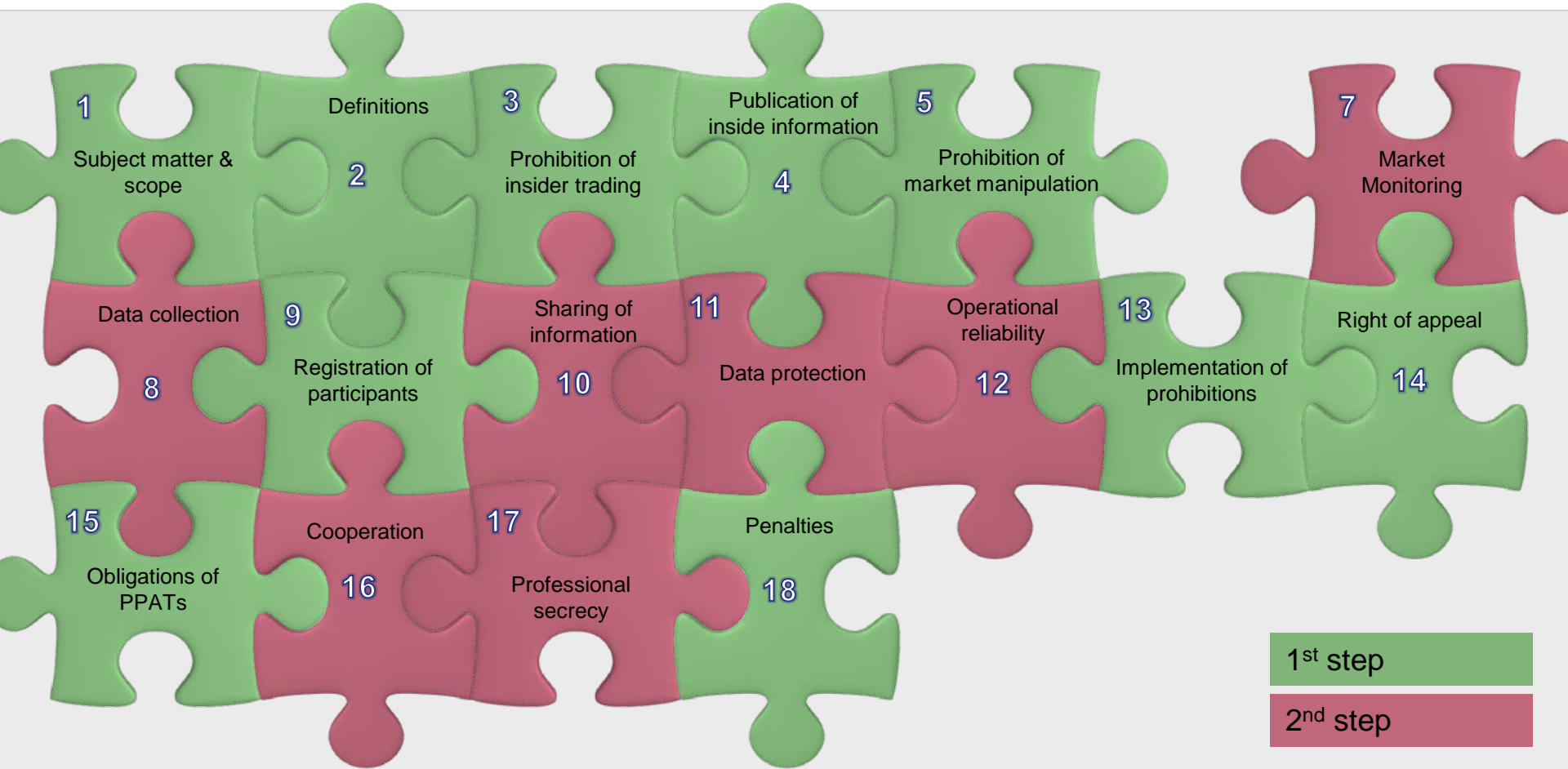
- One step: Transparency, prohibition of market abuse, registration of market participants, Investigatory and enforcement powers to regulators (incl. penalty regime) + ...
- Role of ACER and ENTSOs as for EU is not foreseen at this stage
- For complete REMIT we need another approval at the Energy Community

Roadmap for transposition of step two (complete REMIT) is not fixed/defined

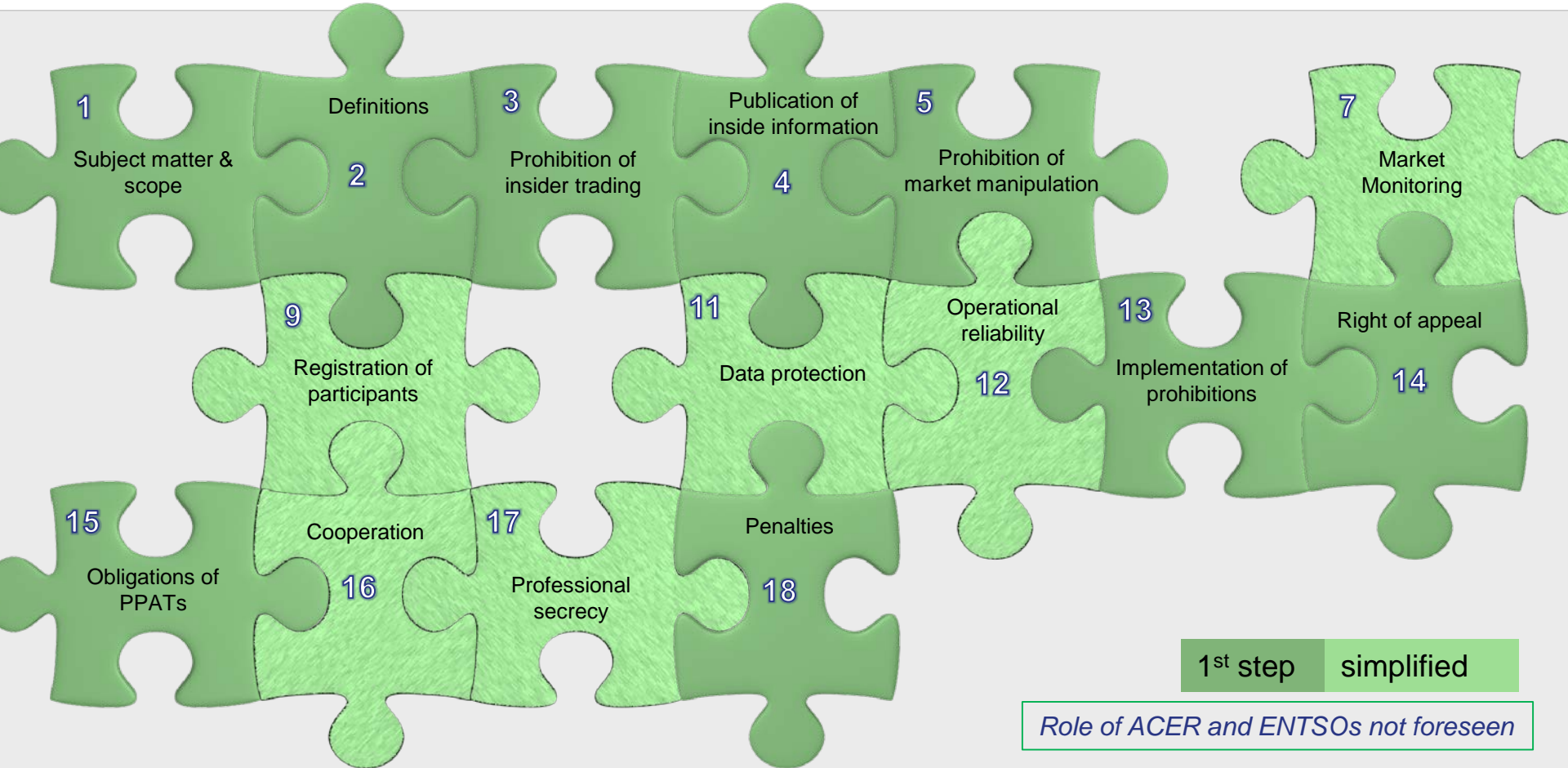
REMIT puzzle – starting point



REMIT puzzle – Starting point for EnC



REMIT puzzle – light regime for EnC



Proposed roadmap

- Discuss and agree with NRAs
- Proposal by Commission to the PHLG under Title II
- Adoption by the Ministerial Council in October 2018
- Transposition:
 - 9 months after the MC decision
- Implementation:
 - 6 months after the transposition
 - 18 months after the transposition (Article 18)

Thank you!