REMIT in the Contracting Parties

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A market we aiming for ...

- 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
  - Confidence in this process is key
- Level playing field
  - 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 …

Policy makers and regulatory authorities should ensure stable legal and regulatory framework

- 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

Market participants should be able to manage market and credit risk

Potential for abusive and unfair practices that undermines market confidence => price setting

Effectively addressing market abuse?
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, 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

### 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

### 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 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
Market monitoring

- 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 RRMs
  - 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\textsuperscript{Energy Identification Code}, LEI\textsuperscript{Legal Entity Identifier}, authorised legal representatives, contact persons, etc.
- Ultimate controller & relationship information
- Delegated parties for reporting – RRM\textsuperscript{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
### Reportable contracts and orders to trade

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

<table>
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<tr>
<th>What?</th>
<th>When?</th>
<th>By who?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity: capacity and use of facility for production, consumption and transmission, incl. planned and unplanned availability (Reg. 543/2013, Art. 6-17)</td>
<td>As soon as published on central</td>
<td>ENTSO-E (Art. 7,1 disaggregated)</td>
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<tr>
<td></td>
<td></td>
<td>(Art. 16,1,a by T+1)</td>
</tr>
<tr>
<td>Gas: capacity and use of facility for transmission, incl. planned and unplanned availability (Reg. 715/2009, Art. 3.3(1) and 3.3(5))</td>
<td>As soon as published on central</td>
<td>ENTSO-G</td>
</tr>
<tr>
<td>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 (disaggregated)</td>
<td>T+1</td>
<td>TSOs</td>
</tr>
<tr>
<td>LNG: technical, contracted and available capacity; send-out and inventory; planned and unplanned unavailability of the LNG facility</td>
<td>T+1 (asap)</td>
<td>LNG SOs</td>
</tr>
<tr>
<td>LNG: date and volume of unloading and reloading; name and size of the ship and name of the terminal; Planned unloading and reloading</td>
<td>T+1 Month ahead</td>
<td>Market participant (LNG SOs on its behalf)</td>
</tr>
<tr>
<td>Gas: technical, contracted and available capacity; gas in stock, injections and withdrawals; planned and unplanned unavailability of the storage facility</td>
<td>T+1 (asap)</td>
<td>SSO</td>
</tr>
<tr>
<td>Gas: amount of gas stored at the end of gas day</td>
<td>T+1</td>
<td>Market participant (SSOs on its behalf)</td>
</tr>
</tbody>
</table>
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

1. Subject matter & scope
2. Data collection
3. Definitions
4. Publication of inside information
5. Prohibition of market manipulation
6. Update of definitions
7. Market Monitoring
8. Registration of participants
9. Sharing of information
10. Data protection
11. Operational reliability
12. Implementation of prohibitions
13. Right of appeal
14. Penalties
15. Obligations of PPATs
16. Cooperation
17. Professional secrecy
18. International relation
19. Exercise of the delegation
20. Committee procedure
REMIT puzzle – Starting point for EnC

1. Subject matter & scope
2. Definitions
3. Prohibition of insider trading
4. Publication of inside information
5. Prohibition of market manipulation

6. Data collection
7. Market Monitoring
8. Registration of participants
9. Sharing of information
10. Data protection
11. Operational reliability
12. Implementation of prohibitions

13. Right of appeal
14. Obligations of PPATs
15. Cooperation
16. Professional secrecy
17. Penalties
18. 1st step

19. 2nd step
REMIT puzzle – light regime for EnC

1. Subject matter & scope
2. Definitions
3. Prohibition of insider trading
4. Publication of inside information
5. Prohibition of market manipulation
6. Market Monitoring
7. Registration of participants
8. Data protection
9. Operational reliability
10. Implementation of prohibitions
11. Penalties
12. Right of appeal
13. Obligations of PPATs
14. Cooperation
15. Professional secrecy
16. Professional secrecy
17. Penalties
18. 1st step simplified

Role of ACER and ENTSOs not foreseen
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!