Agenda

• Background of REMIT
• Data Collection under Remit
• Status of the Project
Integrity & transparency required

How to fulfill what market participants’ confidence in energy markets requires?

- integrity (= fairness) of market;
- same rules apply to everyone;
- Prices reflect (fair & competitive) interplay between supply and demand
- No profits from market abuse

**Regulation in energy market integrity & transparency (REMIT)**

*establishes rules that:*

- prohibit abusive practices affecting wholesale energy markets
- are coherent with the rules applicable in financial markets;
- are in line with the proper functioning of the wholesale energy markets and take into account their specific characteristics.
- provide for the monitoring of wholesale energy markets by the Agency in close collaboration with national regulatory authorities.

Confidence of consumers and market participants in „fairness“ of and price signals in power/gas markets“ shall be ensured by the implementation of REMIT.
REMIT main provisions – an overview

**Surveillance**
- §7 Market monitoring
- §8 Collect data
- §10 Sharing of information
- §16 Cooperation

**Market**
- §3 Prohibition of insider trading
- §5 Prohibition of market manipulation

**Other**
- §11 Data protection
- §12 Operational reliability
- §13 Enforcement powers
- §4 Publication of insider information
- §8 Report data
- §9 Registration as market participants
- §15 Notification of suspects by PPAT
Regulatory framework – Overview

**Union-wide Energy Regulation**
- 3rd Energy package setting up the framework of internal energy market
- E.g. Foundation of the Agency

**Other Union Law**
- Overlapping/adjacent non-Energy Union regulation
- E.g. financial regulation (MiFID, EMIR, MAD/MAR, etc.)

**ACER Guidance/Docs**
- Guidance & recommendations
- REMIT reporting user package (TRUM, list of OMP, Q&A, etc.)
- Specifications

**REMIT**
*(REG 1227/2011 & REG 1348/2014)*

**National Law**
- National implementation of Energy Packages
- Country-specific regulation on wholesale energy market surveillance
The provisions of the 3rd Energy Package prepare:

- Foundation of internal energy market
- Boundary restrictions on markets and market rules
- Definition of fundamental notions and market roles
- Scope and objectives of 3rd Energy Package (and thus wholesale markets)

The 3rd Energy Package sets framework and purpose for market surveillance.
### ACER Guidance and documents

**ACER Guidance on REMIT**
- Scope of REMIT
- Key definitions (inside information, market abuse, PPAT, etc.)
- Clarification on registration requirement

**Transaction User Manual (TRUM)**
- Focus on clarification of scope of reporting (What to report? Who reports? Etc.)
- Explanations and details on required data fields

**Lists of OMP, RRM, Standard Contracts**
- Publication of list of OMP and list of standard contracts pursuant §3(2) of REMIT implementing acts
- Publication of list of registered reporting mechanisms

**Manual of Procedures (MoP)**
- Details and explanation on procedures, standards and electronic formats for transaction and fundamental data reporting
- xml-schema

**Q&A and FAQ Documents**
- General Q&A document (answers aligned across NRAs and ACER)
- Selection of frequently asked questions

ACER provides guidance and interpretations of REMIT and related regulation on a continuous basis. Important Source: https://www.acer-remit.eu/portal/public-documentation
National law

**Content**

- Implementation of provisions as required in REMIT (e.g. regarding investigation / enforcement)
  - On-site inspections, access to data, require temporary stop of professional activity
  - Data exchange with financial and competition authority
  - Right to publish sentences
  - Support investigation of prosecutors (e.g. with analyses etc.) or to conduct prosecution themselves

National implementation in the EU is diverse especially wrt. enforcement powers
Other Union law

Other Union-wide regulation potentially affects energy markets in general and wholesale market surveillance in particular:

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>MiFID 2 / MiFIR</td>
<td>Reporting requirements on financial instruments (if person is “investment firm“)</td>
</tr>
<tr>
<td></td>
<td>Definition of „financial instrument“ potentially covers REMIT-relevant data</td>
</tr>
<tr>
<td>EMIR</td>
<td>Reporting requirements on OTC derivative contracts</td>
</tr>
<tr>
<td></td>
<td>Potential overlap in scope between EMIR and REMIT reporting requirements</td>
</tr>
<tr>
<td>MAD / MAR</td>
<td>Regulatory framework on insider dealing, unlawful disclosure of inside information and market manipulation in financial markets</td>
</tr>
<tr>
<td></td>
<td>MAD carve-out in §1(2) REMIT</td>
</tr>
<tr>
<td></td>
<td>Similar definitions</td>
</tr>
</tbody>
</table>

Remark: REMIT reporting on wholesale energy market product is fulfilled if reported under EMIR / MiFID (see §6(5) of IREG)

Energy markets are also affected by developing financial regulation. The extent of the impact is at the moment still uncertain!
Timeline for REMIT-implementation [1]

[1] EIF ... Entry into force; FD ... Fundamental data; DOE ... Date of effect; MAR ... Market Abuse Regulation; MiFID ... Market in Financial instruments Directive
Data Collection under REMIT

**Identification of Market Manipulation**
- Identify "Use Cases"
- Backward definition of necessary data

**Transactions**
- Orders
- Standard & Non Standard Trades
- Transportation Contracts
- Liefe-Cycle Information

**Inside Information**
- "Precise information which likely has a significant price effect"
- Published information on web pages
- Published information on plataforms

**Fundamental Data**
- Capacities
- Flows
- Planned/Unplanned Unavailabilities
# Identification of Market Manipulation

<table>
<thead>
<tr>
<th><strong>Types</strong></th>
<th>Art 3</th>
<th>Art 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insider Trading</strong></td>
<td></td>
<td><strong>Price Manipulation</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Data Types</strong></th>
<th><strong>Transactions</strong></th>
<th><strong>Fundamental Data</strong></th>
<th><strong>Inside Information</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Including orders to trade</td>
<td>Check Publication of inside information</td>
<td>Time Stamps, Content</td>
<td></td>
</tr>
<tr>
<td>Backbone of surveillance</td>
<td>Plausibilty check of transactions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Registration with NRA:**
- Identification of all market participants to finally create unique ID in ACER Database
- So far some 11 k Market Participants have registered in the EU

**Inside Information:**
- Correlate information publication with transactions
- Order of events is very important → Correct timestamps essential

**Price Manipulation:**
- Typically exercise non profitable trade to benefit under some other contracts
- Often involves combination of manipulation of underlying with a view to benefit in derivatives or long term contracts based on indices
- Covers the whole life-cycle (especially orders may be initiated and withdrawn rapidly)

All Data Types are necessary to effectively assess potential manipulation
## Transactions (1/2)

| Orders to Trade               | May have similar effect in continuous markets on price formation as trades (Table 1 of Implementing Act)  
<table>
<thead>
<tr>
<th></th>
<th>Transmit d+1</th>
</tr>
</thead>
</table>
| Standard Contracts            | Prices of transactions are typically public and may influence price expectations of market participants  
|                              | Core element of REMIT (Table 1 of IA)  
|                              | Transmit d+1 |
| Look Alike Contracts          | Off Venue traded Standard Contracts (Table 1 of IA)  
|                              | Typically transmitted d+30 (recent information from ACER) |
| Non Standard Contracts        | Typically refer to some underlying standard contract price (index) (Table 2 of IA)  
|                              | Small changes in indexes may have major consequences for non standard contracts  
|                              | Transmission d+30 |

Transmission to ACER via RRMs (Registered Reporting Mechanisms)
### Transportation Transactions (2/2)

| Orders to Trade | May have similar effect on price formation as trades depending on the auction or market mechanism (Table 3,4 of Implementing Act)  
<table>
<thead>
<tr>
<th></th>
<th>Transmit d+1</th>
</tr>
</thead>
</table>
| Standard Contracts | Primary and Secondary Allocation  
|                  | Core element of REMIT (Table 3,4 of IA)  
|                  | Transmit d+1 |
| Non Standard Contracts (Secondary Market) | May refer to the underlying price in the primary allocation  
|                                              | Transmission d+30 |

Transmission to ACER via RRM (Registered Reporting Mechanisms)
## Fundamental Data

<table>
<thead>
<tr>
<th>Entity</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENTSO E/G</strong></td>
<td>- Capacity, Use of Capacity, Consumption, Production</td>
</tr>
<tr>
<td></td>
<td>- Planned and unplanned unavailabilities</td>
</tr>
<tr>
<td></td>
<td>- Transmit ASAP</td>
</tr>
<tr>
<td><strong>TSO</strong></td>
<td>- Cross zonal nominations</td>
</tr>
<tr>
<td></td>
<td>- Transmit D+1</td>
</tr>
<tr>
<td><strong>SSO</strong></td>
<td>- Technical, contracted, available capacity</td>
</tr>
<tr>
<td></td>
<td>- Flows and stock of gas</td>
</tr>
<tr>
<td></td>
<td>- Transmit D+1</td>
</tr>
<tr>
<td></td>
<td>- Planned and unplanned unavailability</td>
</tr>
<tr>
<td></td>
<td>- Transmit ASAP</td>
</tr>
<tr>
<td><strong>LSO</strong></td>
<td>- Technical, contracted, available capacity</td>
</tr>
<tr>
<td></td>
<td>- Transmit d+1</td>
</tr>
<tr>
<td></td>
<td>- Planned and unplanned unavailability</td>
</tr>
<tr>
<td></td>
<td>- Transmit ASAP</td>
</tr>
<tr>
<td><strong>Market Participants</strong></td>
<td>LNG shipping data (name of ship, volume, date of loading,...)</td>
</tr>
<tr>
<td></td>
<td>- Stored Gas</td>
</tr>
<tr>
<td></td>
<td>- Transmit d+1</td>
</tr>
</tbody>
</table>
Establish pull mechanism for ACER to load the information in a defined format
ACER’s Data Collection
### Status of the Project

#### Data Collection
- No major technical issues in terms of data collection
- ACER and NRAs collaborating to improve data quality, mainly to further clarify TRUM in order to guarantee a common understanding of data
- Data sharing between ACER and NRAs is progressing

#### Data Analysis
- ACER is processing data to identify issues
- PPATs (Brokers, Exchanges,...) which have the obligation to install a market surveillance are reporting to ACER and NRAs
- Whistle Blowers inform authorities about alleged misbehaviour
- More and more NRAs install surveillance software

#### Collaboration
- Formation of a system of regional collaboration
- Cases are typically handled cross border by NRAs, as needed
- Information is brought to the attention of other authorities, as needed

#### Next Steps
- Collect financial data via Trade repositories/FSAs
- Fine tuning of data formats
- Install daily routine work flows between ACER and NRAs
Types of potential breaches

- Article 3: Prohibition of insider trading
  - 2014: 8
  - 2015: 7

- Article 4: Obligation to publish inside information
  - 2014: 12
  - 2015: 6

- Article 5: Prohibition of market manipulation
  - 2014: 18
  - 2015: 26

- Article 9: Registration of market participants
  - 2014: 0
  - 2015: 1

Origin of new cases

- Ex Officio
  - 2014: 1
  - 2015: 0

- Notifications from NRAs, FMAs and PPATs
  - 2014: 32
  - 2015: 26

- Other entities (namely whistleblowers and other market participants)
  - 2014: 1
  - 2015: 6
Statistics on cases in 2015

Cases closed in 2013, 2014 and 2015

- **2013**: 3
  - Insufficient evidence or no breach: 3
  - Breach found / No sanction: 1
  - Breach found / Sanction applied: 0

- **2014**: 9
  - Insufficient evidence or no breach: 9
  - Breach found / No sanction: 5
  - Breach found / Sanction applied: 0

- **2015**: 6
  - Insufficient evidence or no breach: 6
  - Breach found / No sanction: 2
  - Breach found / Sanction applied: 2

Number of registered market participants on 31/12/2015

Number of Market Participants increased to over 11 000 today
Approximate number of transaction records recorded per day

- Oct 15
- Nov 15
- Dec 15
- Jun 16
THANK YOU FOR YOUR ATTENTION!

Walter Boltz