



European  
Commission

# *REMIT: implementation and compliance*

## **Wholesale market supervision – general overview**

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# Background and motivation

# Rationale behind REMIT

## *Liberalisation*

- **Electricity and gas prices set on wholesale markets**

Key to final consumer prices

## *Increased cross-border trade*

- **Prices are increasingly set on regional not on national level**

German electricity prices are strongly influenced by France, Nordic, Benelux and vice versa

- **Trading is international**

French power is often traded by German traders using marketplaces located in London

## *Fragmented oversight*

- **Different national regimes**
- **Financial regulation (MiFID, MAD) does not cover the entirety of energy trading**



**Need for a tailor made market integrity regime**

# Outline of REMIT

- **Definitions and legal prohibition of trading on inside information and market manipulation**
- **Market monitoring and data collection**
- **Investigation and enforcement**

# Definitions and prohibitions

# Wholesale energy markets and products

*REMIT applies to trading in wholesale energy products*

- **Defined at Article 2(4) – contracts for gas and electricity - commodity and transportation - including derivatives**
- **Exclusion of financial instruments covered by Market Abuse Directive from prohibitions on market abuse established by REMIT**

# Definitions

*Definitions of inside information and market manipulation based on Market Abuse Directive*

- **Coherent with financial regulation**
- **But tailored to gas and electricity markets**  
E.g. Inside information is a precise, non-public, price sensitive information. It “includes information relating to the capacity and use of [gas and electricity] facilities...”

# Prohibitions

## *Inside Information*

- **Prohibition on trading based on inside information**
- **Prohibition on recommending others to trade based on inside information**
- **Prohibition on disclosing inside information except**  
to persons who owe a duty of confidentiality  
where it is part of complete and efficient public disclosure of the information.
- **Covering a loss from unplanned outage possible, if supply obligation cannot be met otherwise**

## *Prohibition on market manipulation and attempted market manipulation*

- **Giving false signals of supply/demand or price**
- **Spreading false information**



# Market monitoring and data collection

# Market monitoring

*ACER monitors wholesale energy markets*

- **Includes financial instruments related to electricity and gas**
- **At least an annual report to Commission**
- **Staff of 15 envisaged for market monitoring**
- **State-of-the-art data processing and intelligence required**

*National regulatory authorities cooperate with ACER in carrying out monitoring*

- **Understand developments on national markets**

# Data collection and traders' registry

*Market participants to provide ACER with record of transactions in wholesale energy products*

- **Potential for several reporting channels including third parties or trade repositories**
- **Avoidance of double reporting obligation**

Where information already reported in line with financial regulation  
BUT legal framework for transmitting information

*Data to be shared with NRAs, financial regulators, competition authorities etc.*

- **BUT requirements to ensure the confidentiality, integrity and protection of the data.**

*ACER to maintain an EU registry of all market participants*



# Investigation and enforcement

# Investigation and Enforcement I

*NRAs ensure that prohibitions on insider trading and market manipulation are applied*

*New powers to allow effective investigation and enforcement*

*Can be carried out*

- **in cooperation with other authorities**
- **by application to judicial authorities**

*MS responsible for putting in place appropriate penalties*

- **New MAD provisions on sanctions to be looked at**

# Investigation and Enforcement II

*Need for coordinated approach*

- **ACER to ensure coordination between NRAs**
- **Duty on NRAs to cooperate**

*Cooperation between NRAs and financial regulators*

- **Share information about suspected breaches**
- **Cooperate across borders through ACER**

*Provision for investigatory groups where abuse has cross border impact*

- **Includes concerned NRAs**
- **Potential to include financial regulators or other authorities**



# What's next?

# Timeline - REMIT

*2011 December 28 → Regulation 1227/2011 (REMIT) entered into force*

- **Prohibition of market manipulation applies !**
- **Requirement to disclose inside information applies!**

*REMIT implementation*

- **Commission to work on implementing legislation**
- **Member States to provide Regulators with effective enforcement and penalty powers**
- **ACER to prepare its monitoring plan & operations**
- **Regulators to set up registries**
- **Market participants to implement compliance programme**





## Data reporting arrangements under REMIT

*Implementing rules to set out details of reporting*

- **List of reportable contracts**
- **Details, timing and format of data to be reported**
- **Uniform rules of reporting**
- **Data transfer to be facilitated by third parties**

*Lessons learned from 'Pilot Project'*

*Expert advice from consultants and ACER*

*Engagement with ACER, NRAs and stakeholders*

*Adoption of implementing rules ~ mid 2013*



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*Thank you for your attention*

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