# Implementing REMIT in the Contracting Parties
Assessment of the impact

Energy Community Secretariat

First meeting on implementation of REMIT in the Energy Community; *27 June 2017*

Content

- **Background**

- **Impact assessment by ECS**

  - Objective

  - Policy target

  - EU imact assessment

  - Rational for implementation

  - Impact on stakeholders

Background

- Concept paper on implementation of REMIT framework in the Contracting Parties

  - Proposal from ECS

- Concept for REMIT implementation is presented to PHLG, Athens Forum and ECRB EWG

  - PHLG conclusions: supported the proposal, discussions with ACER, ENTSO-E and G and prepare an impact assessment

  - AF conclusions: recognized importance, supported step-wise approach, continue to work with stakeholders and prepare an impact assessment

- Based on available information ECS is working on assessing the impact of implementing REMIT in the CPs

A market we aiming for ...
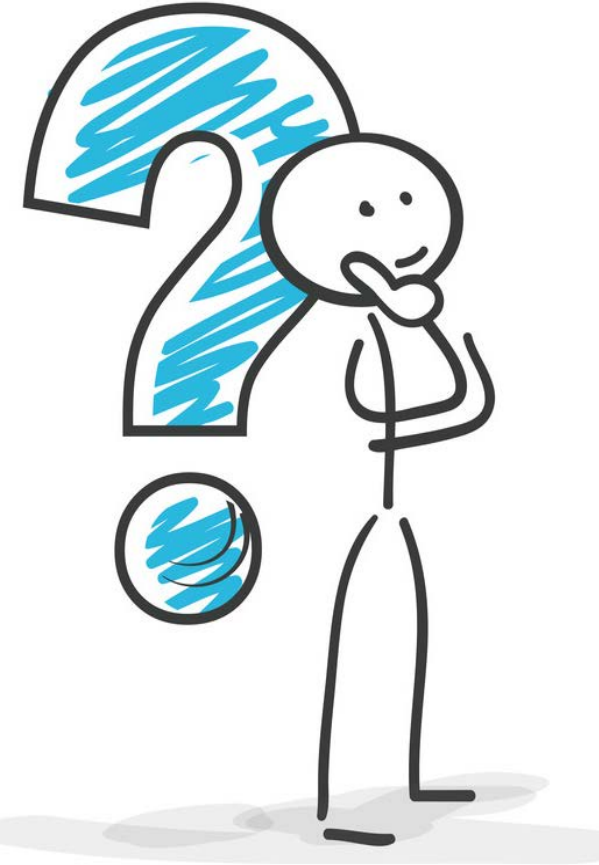
Secure	Competitive	Sustainable

- 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	Potential for abusive and unfair practices that undermines market confidence => price setting	Market participants should be able to manage market and credit risk

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 positon 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 sand 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

Impacted stakeholders (I)

- **Contracting Parties**
  - Transposition of the REMIT framework into national legislation
  - Enforcement powers to the NRAs
  - Penalty regime

- **NRAs**
  - Registration of market participants (ACER's platform)
  - Data security (cyber protection) in order to be exchange reported information with ACER
  - Monitoring / surveillance unit / staff (potentially 1-2 additional staff)
  - Surveillance system depending on state of the market

Impacted stakeholders (II)

- Market participants (inc. TSOs)
  - Understand REMIT requirements and put in place internal procedures
  - Reporting of the contracts and fundamental data (system needs depending on the no of contracts) using existing RRMs

- PPATs (PXs, brokers, etc.)
  - Surveillance system (proportional)
  - Report any suspicious transactions / behavior
  - Become RRMs to report contracts and orders to trade (on behalf of market participants)

Impacted stakeholders (III)

- ACER

  - Additional resources needed

  - List of market participants to include those from CPs

  - Data collections and monitoring

  - Coordination and communication with NRAs from CPs

- ENTSO-E (potentially ENTSO-G)

  - Report fundamental data on behalf of market participants

- RRMs

  - List of RRMs available on ACER's web page

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

  - Little impact on market participants – important to ensure sound operation

  - 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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