



# **ENERGY DERIVATIVES**

**Interaction between NEURC, the NSSMC and trade repositories envisaged by the draft Law of Ukraine “Amending some Laws of Ukraine to prevent abuses in the wholesale energy markets”**

**(registered under No. 5322 of 01.04.2021)**

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NEURC

## Introduction of REMIT terminology

- wholesale energy product (**contracts** relating to purchase-sale of electricity or natural gas; relating to transportation of electricity or natural gas / capacity allocation; **derivative contracts** for which electricity or natural gas are base asset and **derivative contracts** relating to the transportation of electricity or natural gas, access to capacity / capacity allocation);
- **wholesale energy market;**
- **manipulation on the wholesale electricity market;**
- **insider information;**
- **professional secrecy.**

## NEURC's powers, namely:

- **registration of the wholesale electricity market participants;**
- **monitoring of economic activity on the wholesale energy market (collection of information on economic activity with wholesale energy products, both from wholesale energy market participants and persons acting on their behalf (RRM), and from persons professionally arranging transactions with wholesale energy products (PPATs)\* and from trade repositories;**
- **investigation of abuses on the wholesale electricity market;**
- **imposition of sanctions for abuses on the wholesale electricity market;**

*\* organised marketplaces, trading systems, including organised trading facilities, multilateral trading facilities and other types of intermediary activities*

## Definition of the term “wholesale energy product”

### REMIT light

‘wholesale energy products’ means the following contracts and derivatives, irrespective of where and how they are traded:

(a) contracts for the supply of electricity or natural gas where delivery is in the Union Contracting Parties;

(c) contracts relating to the transportation of electricity or natural gas in the Contracting Parties Union;

Contracts for the supply and distribution of electricity or natural gas for the use of final customers are not wholesale energy products. However, contracts for the supply and distribution of electricity or natural gas to final customers with a consumption capacity greater than the threshold set out in the second paragraph of point (5) shall be treated as wholesale energy products;

### REMIT Law in Ukraine (draft Law 5322 before 2nd hearing)

wholesale energy products - contracts (agreements) irrespective of where and how they are concluded, namely: contracts of purchase-sale of electricity or natural gas;

**derivative contracts, the bases asset of which is electricity or natural gas;**

contracts relating to transportation of electricity or natural gas, access to capacity / capacity allocation;

**derivative contracts relating to the transportation of electricity or natural gas, access to capacity / capacity allocation);**

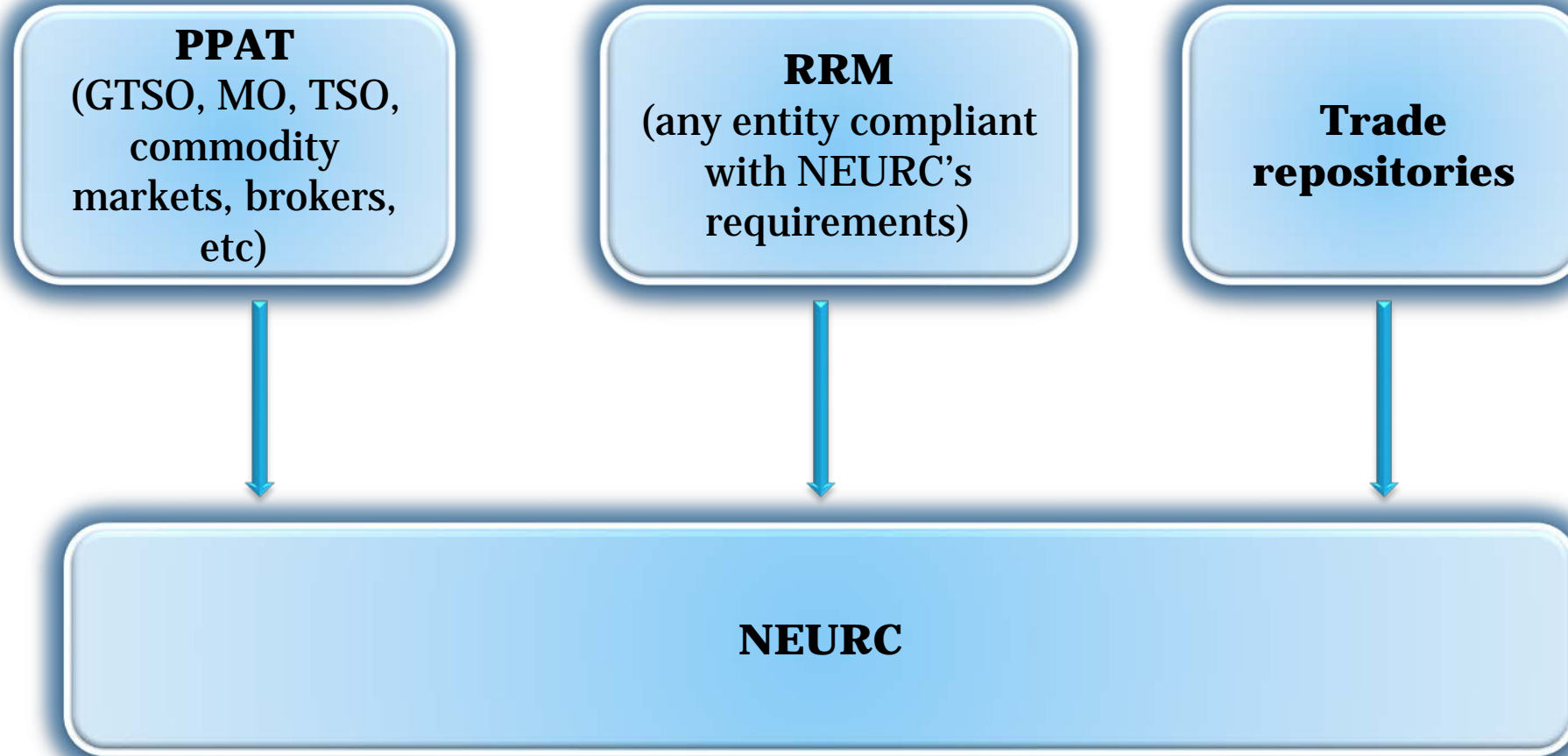
contracts for the supply and distribution of electricity and/or natural gas to final customers electric installations of which have a total nominal consumption capacity that ensures technical capacity to consume 600 GWh of electricity or gas per year or more;

## Exceptions from wholesale energy products

Under the Law of Ukraine “On capital markets and organised commodity markets”, the following **are not considered financial instruments**:

- *contracts (agreements) relating to wholesale energy products concluded on the organised trading platforms, beyond the organised market or at any trading facility/platform (centralised or decentralised organised market) which are not multilateral trading facilities or regulated market, and with respect to which shipment is mandatory, as well as*
- *contracts for the price difference related to energy products/services and contracts on services of ensuring electricity price stability, with respect to which shipment is not mandatory.*

## Reporting on economic activities with wholesale energy products



## Interaction

Provisions of REMIT and Implementation regulation No 1348/2014 envisage obligations for trade repositories to report on transactions with derivative contracts that are considered wholesale energy products.

The Law of Ukraine “On capital markets and organised commodity markets”

Organisational and procedural issues of interaction in the process of supervision of wholesale energy market operating under the [Laws of Ukraine](#) “On electricity market” and the [Law of Ukraine](#) “On the natural gas market” are defined by the Procedure of informational interaction of NEURC, the NSSMC (financial regulator) and the Antimonopoly Committee of Ukraine.

Draft Law No. 5322

- **Trade repository must provide NEURC with information on derivative contracts** that are wholesale energy products according to conditions, set by the National Securities and Stock Market Commission (financial regulator, NSSMC) in coordination with NEURC;
- The Regulator interacts with the Antimonopoly committee, NSSMC and financial control bodies **when monitoring and investigating abuses in the wholesale energy market:**
- **Information exchange with the NSSMC on actions that can signal about infringements in the wholesale energy market;**
- **By results of investigations NEURC can address NSSMC on cases of abuses in the wholesale energy market that can impact financial instruments.**

**THANK YOU FOR YOUR  
ATTENTION!**