

Terms of Reference of the Energy Community Energy Derivatives Coordination Group (EDCG)

This document describes the organisational structure, activities and the responsibilities of all parties concerned within the Coordination Group of Energy Regulators (E-Regs) and Financial Regulators (F-Regs) related to energy commodity derivatives.

I. Background

Evolution of energy markets brought new trading venues and trading instruments. In order to manage market and counterparty risk, energy market participants developed energy derivatives contracts which qualify as financial instruments. In most cases, such contracts are traded and/or cleared centrally. This means that the risk is transferred into a central clearing counterparty. In parallel, in Europe, but also globally, the framework regulating activities in financial instruments and activities of the central clearing counterparties has evolved creating stricter rules in dealing with derivatives contracts.

Energy markets in the Contracting Parties are going through the same evolution, while financial markets are less developed and in most cases there is no regulatory framework related to commodity derivatives. As financial framework develops it is very important that E-Regs and F-Regs cooperate and coordinate activities related to energy commodity derivatives, in particular regarding to electricity and gas derivatives.

II. General

EDCG is established as a platform to coordinate activities and harmonised views and practices in relation to oversight and supervision of the energy commodity derivatives. The EDCG is open for participation of experts from national authorities in charge of regulating the energy sector and financial sectors from Contracting Parties, and potentially Observer countries.

III. Structure and format

The main body that will coordinate activities will be the EDCG through plenary meetings. Task Forces or ad-hoc working groups dealing with specific areas may be established by EDCG.

EDCG will function in an open format with free access to events and activities by its members. The meetings will be chaired by Energy Community Secretariat and the relevant documents and outcome of the meetings will be uploaded at the webpage of Energy Community Secretariat and will be restricted for its members. EDCG will decide on documents that may be made publically available.

IV. Tasks

EDCG is a platform for discussion and sharing best practises of the matters pertaining to energy commodity derivatives and the coordination between E-Regs and F-Regs in the Contracting Parties when dealing with overlapping areas, specifically focusing on gas and electricity. The scope of the group can later further be broadened

In particular, the tasks of the EDCG will be:

1. Assessing the areas where E-Regs and F-Regs powers overlap. This might be the case of the energy derivative instruments and venues where such instruments are traded.
2. Facilitating the development of regulatory framework supporting trading in energy derivatives and clearing through central clearing.
3. Ensuring cooperation and coordination in relation to oversight, monitoring and surveillance of the activities that fall under the energy and financial framework, in particular in relation to integrity framework.
4. Exchange of experience in different Contracting Parties and EU Member States in relation to cooperation between E-Regs and F-Regs, and other competent authorities.
5. Issuing regulatory guidance to industry representatives and others in relation to overlapping areas.
6. As needed, cooperate and coordinate activities with other groups and task forces established under the Energy Community Treaty.
7. As requested, report to the Energy Community institutions.

V. Composition

EDCG is composed of representatives from E-Regs and F-Regs from Contracting Parties. Observers may be invited to participate in the activities of EDCG.

Energy Community Secretariat will facilitate activities of the EDCG. Experts and officials from Energy Community Secretariat will be members in the EDCG.

Task Forces or ad-hoc working groups dealing with specific areas may be established by EDCG. Conveners of such task forces and working groups are proposed by members of the EDCG or the Energy Community Secretariat.

VI. Governance

Energy Community Secretariat will chair and moderate the EDCG. Agreements in the EDCG will be reached with 2/3 majority of members present at the meeting, 2/3 of all members in case of written procedure.

VII. Meetings

EDCG will meet at least once a year during spring or autumn. EDCG may decide to have more frequent meetings if needed. Meetings will be held in Vienna or virtually, however EDCG will be open for other options should one of the members wishes to host the EDCG meeting. This should be coordinated and subject to agreement by the Energy Community Secretariat.

Draft agenda will be distributed at least two weeks before the EDCG meeting.

Energy Community Secretariat will facilitate the organisation of workshops following conclusions of EDCG.

VIII. Reimbursement

The reimbursement of the costs for participation in the physical meetings of the EDCG will be decided on yearly basis subject to the availability of budgetary means. Meeting invitations will have a note on potential reimbursement.