

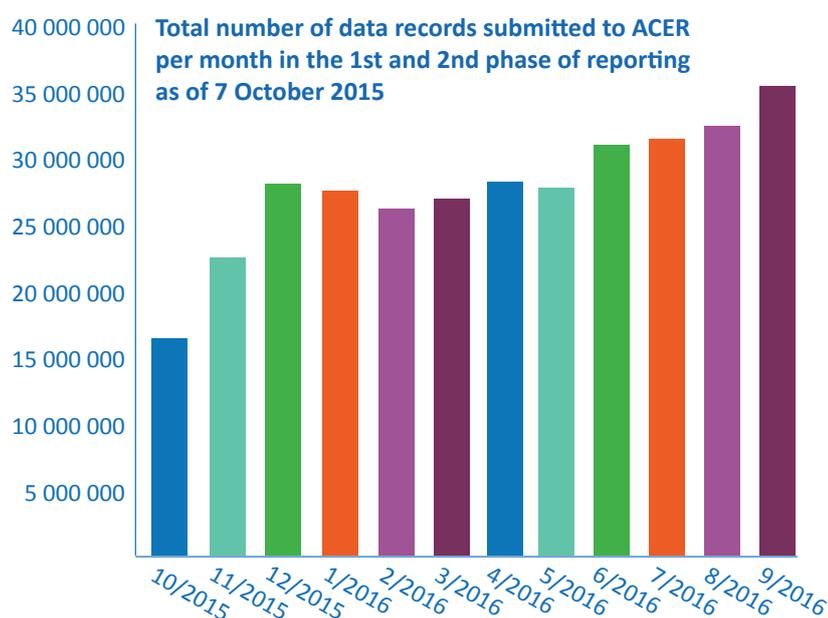


REMIT Quarterly

ACER guidance on the application of REMIT and transaction reporting

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One year of successful data collection under REMIT



On 7 October 2016, the Agency completed one full year of data collection under REMIT. The number of records submitted to the Agency exceeded all expectations.

The core of the REMIT implementation is now completed but some milestones still remain, such as the collection of insider information. On 7 January 2015 Commission Implementing Regulation (EU) No 1348/2014 (Implementing Acts) entered into force. This can be seen as the actual starting point of the REMIT operational stage. The Implementing Acts outlined the timeline for the full application of the new monitoring framework for European wholesale energy markets and assigned several deliverables and deadlines to the Agency.

Data collection started on time

The data collection was set to start on 7 October 2015. Whilst preparing for that, the Agency achieved major REMIT milestones. It launched the REMIT Portal, the

single point of access for all REMIT-related applications and key documents and, on 8 January 2015, opened the registration of Registered Reporting Mechanisms (RRMs). The Agency's REMIT Information System (ARIS) is consequently operational since that date. The same day the Agency also published the REMIT Reporting User Package. The European Register of Market Participants, which is based on the national registers held by National Regulatory Authorities (NRAs), was established on 17 March 2015.

On 7 October 2015, the Agency began to collect data. This first phase of data collection concerned all orders and trades that arise from activity on Organised Market Places (OMPs) and fundamental data from the European Network of Transmission System Operator's (ENTSO) central transparency platforms. The second phase of data collection started on 7 April 2016. It concerned transactions in the remaining

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Over The Counter (OTC) standard and non-standard supply contracts, transportation contracts and reportable fundamental data from Transmission System Operators (TSOs), LNG System Operators (LSOs) and Storage System Operators (SSOs).

The Agency now receives the information it needs in order to monitor the market efficiently. Using the reported data, the Agency can detect and deter market manipulation and trading based on inside information.

Large number of data collected

Much larger number of records of transactions, including orders to trade, have been reported to the Agency, in the order of one million per day, than the prudent estimates previously made. The Agency notes that a high number of transactions is likely to reflect liquid and competitive markets. However, it also poses an additional challenge to the Agency.

The experience with energy market abuse cases in other parts of the world clearly shows the benefits of investing in adequate market monitoring. It indicates that effective market monitoring can detect potential market abuses that could otherwise have a significant detrimental impact on the market. The deterring effect of market monitoring, whose benefits cannot easily be quantified, should also be taken into consideration.

REMIT plays, therefore, an important role

in the completion of a well-functioning internal energy market in the European Union. Well-functioning markets should work on the basis of reliable price signals, namely price signals which reflect the demand and supply fundamentals and are not distorted by abusive market behaviour. Security of supply also benefits from well-functioning markets. The effective

implementation of REMIT, with its aim of detecting and deterring market abuse, is thus a major pre-requisite for efficient market integration and the security of energy supply, both of which are essential components of the Energy Union strategy. The Agency will continue its remaining REMIT implementation, such as related to the collection of inside information, and

operational activities in 2016 and beyond. However, efficient and effective market monitoring will depend heavily on the appropriate financial and human resources being made available to the Agency.

The REMIT annual report is available here: http://www.acer.europa.eu/Official_documents/Publications/Pages/Publication.aspx

Public consultation on the European Register of Market Participants

24 industry associations and market participants participated in the public consultation on the European Register of Market Participants which the Agency launched last spring. The Agency is now evaluating the responses and discussing internally and with the NRAs the next steps. The results of the evaluation may lead to changes and improvements to the European Register of Market Participants. More information about those potential changes and improvements will be available in the beginning of next year.

In March 2016, the Agency launched a public consultation on the Functioning and Usefulness of the European Register of Market Participants.

The purpose of the public consultation was to gather views on potential improvements to the current REMIT registration format. Also, the Agency gathered views

to further enhance the overall transparency and integrity of wholesale energy markets and help ensure a level playing field for market participants across the Union.

The Agency is currently discussing internally and with NRAs, and plans to communicate the next steps to the market by early 2017.

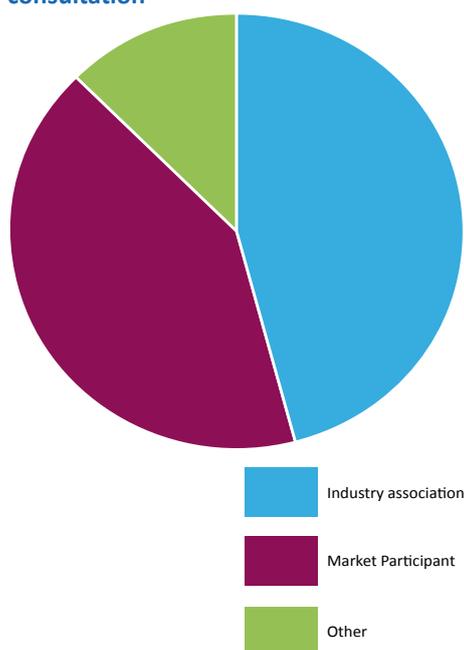
Read the full public consultation on the European Register here: http://www.acer.europa.eu/Official_documents/Public_consultations/Pages/PC_2016_R_01.aspx

The European Registry of Market Participants

The European register of market participants was published on 17 March 2015 on <https://www.acer-remit.eu/portal/european-register>

The register has been regularly updated ever since. On 6 October 2016, 11 545 market participants were registered in the European register of market participants.

Type of respondents to the public consultation



on the overall functioning and usefulness of the European Register.

The Agency received 24 responses from industry associations and market participants and has evaluated them. Later this year, the Agency will publish the results of the evaluation.

Based on the experiences of market participants, NRAs and the Agency thus far, the Agency proposed changes and technical improvements to the Register. The issues consulted on included those proposed changes and improvements.

They also included more fundamental proposals aimed at improving the transparency and integrity of wholesale energy markets across the Union related to corporate structure and barriers to entry in trading wholesale energy products.

In the long term the Register should fur-

Inside Information collection via web feeds approaching

The collection of Inside Information via web feeds is scheduled to start on 1 January 2017. Inside information will be collected via inside information platforms that publish urgent market messages (UMMs) on behalf of market participants. The Agency discussed the technical details of the collection with relevant stakeholders and will publish technical guidance for UMM collection in the near future.

At first, the XML schemas for Inside Information did not properly reference the so-called Common Part Schema. As the Agency was not yet collecting inside information via web feeds, this did not cause any problems. However, this needed to be corrected and, hence, new schemas were published on 30 August 2016 well ahead of the start of the inside information collection.

Full list of inside information platforms: <https://www.acer-remit.eu/portal/list-inside-platforms>

Additional transaction reporting guidance published

The fifth edition of the FAQs on REMIT Transaction Reporting was published on 26 September 2016. In the new edition, additional questions related to transportation contracts and transaction reporting issues have been addressed.

The Agency started to publish FAQs on Transaction Reporting more than one year ago in order to provide more detailed information to the reporting parties. The new questions in the FAQ are related to reporting of standard and non-standard contracts and concern data fields and XSD schema for Table 1 and Table 2, non-standard contracts, executions under non-standard contracts and life-cycle events that should help market participants to better meet their REMIT transaction reporting obligations. In addition, two questions concern transportation contracts.

One of the questions related to transaction reporting is of particular importance as the Agency's answer provides additional guidance on the reporting deadline of bilateral supply contracts.

The FAQ No. 1.1.20 clarifies the following: whenever two market participants enter into a bilateral contract agreed outside an organised market place, and do not have the certainty that their contract is the same as one traded on an organised market place, it can be assumed that the bilaterally agreed contract normally entails "elements of customisation".

These elements of customisation distinguish the bilateral contract from contracts concerning wholesale energy products admitted to trading at an organised market place. Such a contract may be reported on a T+1 month basis and, where the contract has a defined price and quantity, with Table 1 of the Annex to the REMIT Implementing Regulation.

The Agency continues to discuss FAQs in Roundtable meetings and will publish additional updates of the FAQs as necessary.

Data quality assessment at the Agency

Transaction reports are an essential tool that the Agency uses to detect market abuse. Our ability to do this is directly affected by poor data quality in the transaction reports that reporting parties submit to us. Transaction reports containing poor-quality data also impact the work of other European Competent Authorities in this area, as the Agency has established mechanisms to share information it receives with NRAs. Data quality is in the interest of reporting parties and market participants to meet their requirements under the REMIT reporting regime. Ensuring data quality is therefore a key priority for the Agency.

The REMIT data quality assurance is based on a two-stage approach. In the first one, the data collection stage, validation rules are applied and valid reported data is stored in the Agency's data warehouse. The invalidated data is rejected, flagged and stored. The valid data is then evaluated in the second stage, the data quality assessment stage.

Data validation for data received from Registered Reporting Mechanisms (RRMs) is very important. This is because the Agency needs to ensure that data stored in the Agency's data warehouse is of high enough quality. The high data quality makes it possible to analyse the data. The validation rules are set to reflect the data reporting guidance defined by the Agency. Specific rules, changes and enhancements of the validation rules are initiated and evaluated by the Agency as required and consulted with RRM as appropriate.

The data quality assessment is done on both a regular and ad hoc basis on data which has passed the validation rules. Automated data quality assessments are run across the datasets on a regular basis, resulting in automated reports when necessary. Ad hoc data quality assessments done by the Agency's analysts allow the fine-tuning of the data quality. These assessments will result in a sufficient data quality level which will make reliable monitoring and automated market surveillance possible.

The Agency works closely together with NRAs in order to organise the practical execution of the ad hoc data quality checks.

In case a data quality issue is detected, it is logged, reported and followed up according to defined procedures.

Some issues that have been discovered to date concern inconsistent use of delivery point or zone codes, organised market place (OMP) identification codes, inconsistent contract naming, inaccurate prices, quantity values and strange activity patterns.

The Agency will approach RRM and OMPs in order to further improve data quality. The Agency is committed to working in partnership with the industry to improve data quality. We have significantly increased our engagement with the industry over the past years and will continue to build on this in the future. We will also continue to work closely with NRAs on this matter.

Regular data quality assessment results in automated regular reports, based on which the analysts are able to monitor the data. Some analysis examples are RRM reporting, OMP activity, specific market participant trading activity patterns, aggregated market data analysis (average price reports, volume outlier detections, and fundamental data analysis), data quality alerting using surveillance tools and consistency checks of life cycle event reporting.

Ad hoc data quality assessment and analysis require decisions on a case-by-case basis based on the regular data analysis and the Agency's strategy. The ad hoc analysis validates specific issues by performing specific RRM assessments and OMP assessments using reference data, MP's trading activity checks, bilateral transaction reporting consistency checks, fundamental and reference data analysis.

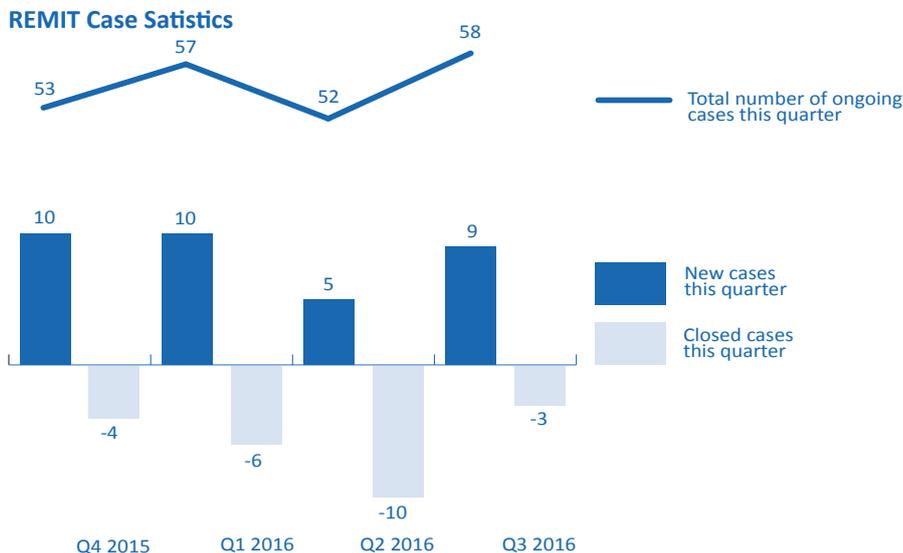
The Agency is reviewing 58 possible breaches against REMIT

At the end of the third quarter of 2016, the Agency had 58 REMIT cases under review. REMIT cases are potential breaches of REMIT that are either notified to the Agency by external entities or discovered by the Agency through its surveillance activities.

A case could, after a thorough investigation by the relevant national authority, lead to sanctions. A case could also be closed without sanctions, for instance if the suspicions were unfounded.

The table to the right shows the number of cases that were under review by the Agency in the last four quarters.

The Agency is responsible for monitoring the wholesale energy markets and aims at ensuring that NRAs carry out their tasks in a coordinated and consistent way, but it is not responsible for the investigation of potential breaches of REMIT. The EU Member



States have the obligation to ensure that their National Regulatory Authorities have the required investigatory and enforcement powers to accomplish their responsibilities.

Continuous inflow of REMIT queries to ACER

Over the second and third quarter of 2016 (April to September) a steady inflow of questions reached the Agency through various communication channels.

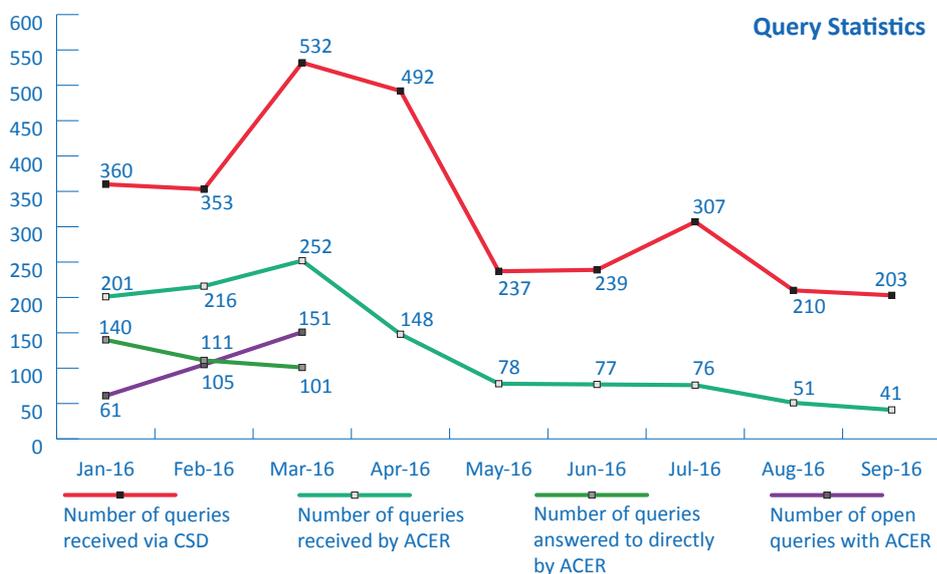
The graph on the right illustrates the total number of queries received by the Agency. The number of incoming queries has been decreasing over the third quarter of 2016.

The Agency replies to incoming queries that have not been yet addressed in the publicly available documentation by regular updates of the:

- Questions & Answers on REMIT;
- Frequently Asked Questions (FAQs) on transaction data reporting; and
- FAQs on REMIT fundamental data and inside information collection.

When necessary, the Agency follows up with specific questions individually.

As most questions are no longer answered to specific individuals, the Agency will also not be in a position to report numbers on how many questions were answered, or are open. Hence the graph, as of April, contains only the number of questions that the Agency received.



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