EDF Trading

Response to ACER Public Consultation on REMIT TRUM

Introduction

Please find attached EDF Trading's (EDFT's) comments on the latest version of the ACER TRUM document. Good progress has been made in providing firms with additional guidance on the reporting requirements for REMIT although there are a number of areas where further details and clarifications are required. In particular, ACER needs to look carefully at whether some data fields are best provided by Organised Market Places (OMPs) rather than by market participants. In addition, there remains significant effort to further clarify the reporting requirements for non-standard transactions and although there will be a later go-live date for these transactions we anticipate this will remain a major challenge to deliver.

If you have any questions on the points raised in this response please do not hesitate to contact me.

Yours sincerely

[redacted]

1. **Please provide us with your views on the scope and the objectives of this document. In particular, please provide your opinion on whether the kind of information included and the structure of the TRUM are suitable to facilitate transaction reporting. If not, please explain which additional information the TRUM should cover and/or how it should be structured.**

   ACER needs to provide some guidance on the backloading process, given that some of the requested fields will only be available by participants after some significant IT development. We would like clarity on the backloading periods and whether there are any deviations/allowances from the field list rules. Consideration for backloading should be taken when considering the mandatory/optional nature of the field lists.

2. **Please provide us with your general comments on the purpose and structure of the draft TRUM. In particular, please provide your opinion on whether the information the Agency intends to include in the first edition of the TRUM is sufficient for the first phase of the transaction reporting (contracts executed at organised market places). If not, please explain which additional information should be covered.**

   Generally we consider the information provided sufficient for the 1st phase of the transaction reporting, although we would like some additional guidance on the field lists and the points raised within this document.

3. **Please provide us with your views on the Agency's proposed approach as regards the list of standard contracts. In particular, please provide your views on whether:**

   - **the list of standard contract types enables reporting parties to establish whether to use Table 1 or Table 2 of Annex I of the draft Implementing Acts when reporting information under REMIT; and**
   - **the identifying reference data listed in ANNEX II to be collected by the Agency would be sufficient and suitable to establish the list of standard contracts.**

   The list of standard contracts seems to be complete.

   We would like to clarify with ACER that bilateral trades off organised market places should be reported using the standard supply contract field list, but these will not be in scope for the initial go-live of 'standard contract' reporting, and are therefore defined as non-standard transactions.

   Do you agree that the list of standard contracts in Annex II should also be considered sufficient to list the organised market places or would you prefer to have a separate list of organised market places? Please justify your views.
   We would prefer a separate list of organised market places and a list of the standard contracts each OMP offers. This list should be maintained by ACER and kept up to date so that firms can fulfil their REMIT reporting obligations..

   This would be relational data in our reporting systems and would be easier for us to consume this information as reference data, rather than interpolate from a list.

   The list must be maintained regularly, adding new or inactivating old data at defined periodic intervals. A clear process must be defined for the treatment of any product which is not listed within the 'standard contracts' list (e.g. are they automatically assumed to be 'non-standard'?

4. **Please provide us with your views on the explanation of product, contract and transaction provided in this Chapter, in particular on whether the information is needed to facilitate transaction reporting.**

   We find the clarification useful to better understand the various concepts used in the TRUM and the REMIT IA.

5. **Please provide us with your views on the field guidelines for the reporting of transactions in standard supply contracts.**

   Generally, we consider the field guidelines helpful with the following remarks:

1) *We would appreciate guidance on each field in terms of whether it is mandatory, optional or conditional and any other applicable rules. Likewise for data types (number, string, etc.).*
2) *A number of fields contain information which could be interpolated from other existing fields – so we question whether these fields are providing any additional benefit.*

E.g. Contract Name, Contract Trading Hours, Last Trading Date and Time could all be interpolated using the Contract ID for standard contracts.

3) *Some of the fields relate to non-trade related information, so are unlikely to be readily available as trade data in the vast majority of deal capture systems. Data such as OMP trading hours, market index prices, etc. are not trade level data and would be best sourced be sourced directly from OMPs or price publishers, as combining these data items with trade level information is likely to represent significant IT effort for the participants to implement.*
4) *Linking orders to trades is a complex relationship that will not be currently available in all deal capture systems. This is not always a simple 1-1 relationship, and will involve significant IT effort to implement, as each OMP is likely to have a different data structure for order data and underlying trade activity.*
5) *We would like ACER to clearly define what is the minimum data that is needed to match trades? Is there one particular field/ a small number of fields that must match before a trade is considered matched? Are the fields indicated at the back of the TRUM the minimum fields that must be completed?*

Comments on specific data fields:

Data Field no. 11 (Buy/sell indicator): In the description it is mentioned that, in some cases, where order is neither buy nor sell, value "BS" should be reported, however this is not valid since reserved field length is just 1 character.
That aside, we are unsure under what conditions we would ever need to use the value 'BS', as the only case this may be apparent is for float/float physically settling swaps.

However, a physically settling float/float swap would normally be represented using two linked physical contracts (one buy and one sell).

Data Field no. 12 (Initiator/Aggressor): Suggest that the value 'Sleeve' be treated as a separate field. This is normally represented as two fields in ETRM systems (e.g. Initiator and Sleeve), so could potentially be less implementation effort to report as separate fields.

Data Field no. 22 (Contract Type): Wouldn't the value 'SW-Financial exchange of contract cash flows (swap)' fall under the scope of EMIR? Suggest that this be renamed to 'Swap style contracts', which could be used for reporting physically settling swaps (although these would normally be booked as linked physical contracts (one buy, one sell).

Data Field no. 25 (Contract name): We consider this field a duplication of information due to the fact that the contract is uniquely identified in field 21.

Data Field no. 26 (Contract Trading Hours): We consider this field as unnecessary as this is not contract level information. This data would be better provided by the organised market places, and could then be extrapolated based on field 21.

Data Field no. 28 (Linked Transaction ID): Most deal capture systems do not allow you to link spread transactions which are booked separately and additional IT development and investment would needed to link these for reporting.

<u>Data Field no. 29 (Linked Order ID):</u> Not all deal capture systems would inherently capture and link market orders to transactions – as these are not required for trade lifecycle, P&L or risk processes. Additional IT development and investment would needed to link these for reporting.

It should also be noted that there isn't always a simple 1-1 relationship between contracts and orders – as an order may be fulfilled by many contracts.

<u>Data Field no. 33 (Fixing Index):</u> There are a large number of indices, and each participant is likely to utilise a different naming convention unless there is a standardised list. We would question the usefulness of a free text narrative which differs between participants. One suggestion may be to signify whether the contract is fix priced, index priced or priced through a formula/basket.

<u>Data Field no. 34 (Index Value)</u>: We don't believe this field to be very useful, as when booking a floating price contract, it wouldn't make commercial sense to use an index which has already fixed. We agree that any spread agreed against an index is useful information to report, but we believe that this should be separated into a new field, rather than confuse the index fixing with bespoke contractual spreads.

Market index fixings are not contract level information. Contracts may reference indices which are used in order to determine settlement prices, but the indices are market level information.

<u>Data Field no. 41 (Settlement Method)</u>: The method 'O=Optional for counterparty' isn't something that most deal capture systems would hold. Generally contracts are agreed to be either physically or financially settling. The only example we have seen (and this is rare) is where an option trade with two underlying binary options (one for cash settlement and the other for physical delivery).

<u>Data Field no. 42 (Last trading date and time):</u> We consider this field as unnecessary as this is not contract level information. This data would be better provided by the organised market places, and could then be extrapolated based on field 21.

<u>Data Field no. 51 (Duration):</u> We do not believe that this field provide any useful information over and above the period which can be interpolated from fields 49 and 50.

<u>Data Field no. 53 (Days of the week):</u> In order to provide a detailed delivery profile, the list should also include public holidays. However it should be noted that such may be difficult to implement for many market participants (depending on their IT system). This information could be better provided through the delivery profile shown in fields 54, 55 and 57.

<u>Data Field no. 54 (Load Delivery Intervals):</u> We are not sure why this is required given that the intervals are determined by the product, which has been uniquely identified in field 21.

<u>Data Field no. 58 (Confirmation Timestamp):</u> We are not sure why this is required for REMIT, and expect this field to nearly always be null when a contract is first reported.

<u>Data Field no. 59 (Confirmation Means):</u> We are not sure why this is required for REMIT, and expect this field to nearly always be null when a contract is first reported. In addition, many intra-day contracts are non-confirmable in the market, as they deliver before the standard confirmation timelines. A new 'non-confirmable' value would be needed to reflect these contract types.

6. **Please provide us with your views on the examples of transaction reporting listed in ANNEX III of the draft TRUM. Do you consider the listed examples useful to facilitate transaction reporting?**

   We consider Annex III useful in order to visualise the data. We would hope that this annex be maintained and updated through future releases of the TRUM.

   However, we have noticed that the examples have not been populated consistently with the field guidelines for the reporting of standard trades and should be carefully reviewed prior to releasing the final TRUM.

   ACER should also make clear whether Annex III is for illustrative purposes only (providing some useful guidance on common traded products), or whether it seeks to provide a comprehensive catalogue of reportable traded products.

   We would like to raise a question against the document section called "Bilateral trades off-organised market places" within Annex III. Our understanding is that products traded bilaterally off-OMP are not considered standard supply contracts.

7. **In your view, are there any additional examples to be added in ANNEX III of the draft TRUM? Please provide a description of example(s) that in your opinion should be covered.**

   The examples provided thus far have been useful for visualising the data, although we would utilise the field list details (rather than the examples) for our implementation effort. The examples would be useful guidance, but will need updating in order to accurately reflect the updates made to the field lists.

   The examples provided are sufficient based on our understanding of standard supply contracts.

8. **Please provide us with your views on the field guidelines for the reporting of transactions in non-standard supply contracts.**

   We recognise that this section of the TRUM has recently been added, and we appreciate an early sight of this work as it allows us to forward plan our IT implementation efforts. It is *good to see the subject of volume optionality incorporated into the field design, however we feel that some other aspects of complexity around non-standard supply contracts may still need to be considered.*

For example,

> *The logic around describing complex non-standard delivery profiles.*
> *Multi-strike options (strips)*
> *Physically settled swaps (modelled as two linked physical contracts)*
> *Non-standard fixing periods*
> *Baskets and formula pricing*

We would very much welcome further clarification from ACER of which non-standard contracts should be reported via the standard form in order to allow for proper IT implementation.

Comments on specific data fields:

<u>Data Field no. 10 (Buy/sell indicator)</u>: In the description it is mentioned that, in some cases, where order is neither buy nor sell, value "BS" should be reported, however this is not valid since reserved field length is just 1 character.
That aside, we are unsure under what conditions we would ever need to use the value 'BS', as the only case this may be apparent is for float/float physically settling swaps.

However, a physically settling float/float swap would normally be represented using two linked physical contracts (one buy and one sell).

<u>Data Field no. 12 (Contract Type):</u> Wouldn't the value 'SW-Financial exchange of contract cash flows (swap)' fall under the scope of EMIR? Suggest that this be renamed to 'Swap style contracts', which would be used for reporting physically settling swaps (although these would normally be booked as linked physical contracts (one buy, one sell).

<u>Data Field no. 14 (Contract ID):</u> This field is not applicable for non-standard contracts.

<u>Data Field no. 15 (Estimated Notional Amount):</u> The text refers to orders, although these won't be applicable for non-standard contracts.

<u>Data Field no. 17 (Delivery Point Areas):</u> This information may not be available in all cases, especially where an option holder is able to nominate where delivery will take place.

<u>Data Field no. 20 (Volume Optionality):</u> These enumerations overlap each other.
For example, volume can be (F) Fixed and (M) Min/Max, or it may be (V) Variable and (C) Complex.

<u>Data Field no. 21 (Total Notional Contract Quantity):</u> If the volume optionality (20) is variable for this contract, which quantity should we use for the notional? The minimum, the maximum or a median?

<u>Data Field no. 25 (Volume Optionality Intervals):</u> The narrative for this field is a copy/paste error. A free text interval description is of questionable use, as each participant is likely to define their own naming conventions (e.g. March, March14, March2014, Mars, etc.)

<u>Data Field no. 26 (Volume Optionality Capacity):</u> The narrative for this field is a copy/paste error. Volume optionality could perhaps be better represented through use of a MIN and MAX on the quantity field.

<u>Data Field no. 27 (Type of Index Price):</u> We are unsure what a 'Fixed Index' is. If it means a fixed price contract, we would expect this field to be left blank.

There are a large number of indices, and each participant is likely to utilise a different naming convention unless there is a standardised list. We would question the usefulness of a free text narrative which differs between participants. One suggestion may be to signify whether the contract is fix priced, index priced or priced through a formula/basket.

<u>Data Field no. 28 (Price or Price Formula):</u> We question whether a price (number) and a formula name (string) should be contained within a common field.
*We are also_unclear of the usefulness of this field given that formulae will be a representations of complex expressions unique to each participant. For example, a value of (((A+B)/C)*KW) isn't meaningful without the term sheet. The formula will not detail averaging rules, listed observations, FX rules, rounding, precision, etc. One suggestion may be to signify whether the contract is fix priced, index priced or priced through a formula/basket.*

<u>Data Field no. 29 (Fixing index):</u> There are a large number of indices, and each participant is likely to utilise a different naming convention unless there is a standardised list. We would question the usefulness of a free text narrative which differs between participants. One suggestion may be to signify whether the contract is fix priced, index priced or priced through a formula/basket.

<u>Data Field no. 30 (Fixing index type):</u> We believe this is the same as field 12.

<u>Data Field no. 31 (Fixing index sources):</u> We understand the reasoning for requesting this information, however we believe that by standardising the values within field 29 would better address this requirement. The fixing index should reference the source – otherwise the situation could arise where conflicting data is provided.

<u>Data Field no. 32 (First Fixing Date):</u> We believe that this field will not provide any significant value and can be interpolated through the contract duration and the frequency (fields 18, 19, 34). Fixings are normally based on calendar months – any deviations from this convention would not be picked up by taking only the first and last dates.

This field may be useful for identifying how any front 'stub' is treated on a swap, although this is quite a rare occurrence and is probably of limited value to ACER. This would typically be something that is validated during a bilateral confirmations process between the participants.

<u>Data Field no. 33 (last Fixing Date):</u> We believe that this field will not provide any significant value and can be interpolated through the contract duration and the frequency (fields 18, 19, 34). Fixings are normally based on calendar months – any deviations from this convention would not be picked up by taking only the first and last dates.

This field may be useful for identifying how any back 'stub' is treated on a swap, although this is quite a rare occurrence and is probably of limited value to ACER. This would typically be something that is validated during a bilateral confirmations process between the participants.

<u>Data Field no. 35 (Settlement Method):</u> The method 'O=Optional for counterparty' isn't something that most deal capture systems would hold. Generally contracts are agreed to be either physically or financially settling. The only example we have seen (and this is rare) is where an option trade with two underlying binary options (one for cash settlement and the other for physical delivery).

<u>Data Field no. 38 (Option First Exercise Date):</u> Format should contain day and hour. We would appreciate clarification from ACER that this field refers to the contractual exercise dates, not the ACTUAL dates upon which an option is exercised during the trade lifecycle.

<u>Data Field no. 39 (Option Last Exercise Date):</u> Format should contain day and hour. We would appreciate clarification from ACER that this field refers to the contractual exercise dates, not the ACTUAL dates upon which an option is exercised during the trade lifecycle.

<u>Data Field no. 41 (Option Strike Index):</u> There are a large number of indices, and each participant is likely to utilise a different naming convention unless there is a standardised list. We would question the usefulness of a free text narrative which differs between participants. One suggestion may be to signify whether the contract is fix priced, index priced or priced through a formula/basket.

<u>Data Field no. 42 (Option Strike Index Type):</u> we are unclear what information this field is trying to convey. One suggestion may be to signify whether the contract is index priced or priced through a formula/basket.

<u>Data Field no. 43 (Option strike index sources):</u> We understand the reasoning for requesting this information, however we believe that by standardising the values within field 41 would better address this requirement. The index should reference the source – otherwise the situation could arise where conflicting data is provided.

9. Please provide us with your views on whether examples of transaction reporting should be added as regards transactions in non-standard supply contracts. If yes, please explain which scenarios these examples should cover.

We find the example scenarios useful in visualising the data, although we have seen a number of inconsistencies between the examples and the documented field rules. We would hope that these examples can be corrected and maintained going forwards – as new revisions of the TRUM are issued.

As was the case for the standard supply contracts, ACER should also make clear whether Annex III is for illustrative purposes only (providing some useful guidance on common traded products), or whether it seeks to provide a comprehensive catalogue of reportable traded products.

Some examples of transactions that could be added:

- *Custom load shapes*
- *Indexed trades with additional spread premium*
- *Physically settling swaps (represented by 2 linked physical contracts)*

10. Please provide us with your views on the field guidelines for the reporting of transactions in electricity transportation contracts.

No comments

11. Please provide us with your views on whether examples of transaction reporting should be added as regards transactions in electricity transportation contracts. If yes, please explain which scenarios these examples should cover.

No comments

12. Please provide us with your views on the field guidelines for the reporting of transactions in gas transportation contracts.

No comments

13. Please provide us with your views on whether examples of transaction reporting should be added as regards transactions in gas transportation contracts. If yes, please explain which scenarios these examples should cover.

No comments

14. Do you agree that, if organised market places, trade matching or reporting systems agree to report trade data in derivatives contracts directly to the Agency they must do so in accordance with Table 1 of Annex I of the draft Implementing Acts as regards contracts referred to in Article 3(1)(a)(9) and Table 3 or 4 as regards contracts referred to in Article 3(1)(b)(3)?

We agree that the submission of contract reporting data for REMIT should be consistent and should adhere to the standard / non-standard field lists.

The exception to this rule may be where EMIR reporting incorporates a list of lifecycle events which are not currently required for REMIT.

15. In your view, are Tables 1, 3 and 4 of Annex I of the draft Implementing Acts suited for the reporting of contracts referred to in Article 3(1)(a)(9) and Article 3(1)(b)(3) respectively?

The tables provide the list of fields required for reporting, which aside from the questions raised previously under points 5 and 8, provide a high-level understanding of reporting requirements.

We would ask that ACER provide clarity on each of these fields in terms of permitted values, field-sizes, formats, mandatory/optional/conditional logic, etc. – as this would be required when developing the reporting solution.

We would also like to highlight that a number of the fields, particularly around unpriced contracts, are free-text, so the contents will vary between participants, even though they are referring to the same thing. Looking to standardise such fields would potentially increase the value of this data.

Similarly, there are a number of fields which provide data which is available through extrapolation of other fields. Reducing the number of fields would help reduce the cost of participant implementation (in terms of IT costs and effort), but will also reduce the potential for conflicting data and mismatches.