

ACER

 Agency for the Cooperation
of Energy Regulators

Outline of the Agency's Work Programme for 2014

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Director

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**Presentation to the ITRE Committee, European Parliament
Brussels, 29 May 2013**

ORIGINAL MANDATE

Third Energy Package

**TWO NEW MAJOR PIECES OF LEGISLATION
confirm ACER's growing responsibilities**

REMIT

TEN-E Regulation

These are reflected in the **Four Themes of the
2014 Work Programme**

Theme 1: 2014 Market Integration Target

- Network Codes
- Early Implementation
- Internal Market Monitoring

Theme 2: Wholesale Energy Market Integrity and Transparency

- Completing REMIT Implementation
- Wholesale Market Monitoring

Theme 3: The Infrastructure Challenge

- TEN-E Regulation Implementation
- TYNDPs

Theme 4: Future Challenges, including RES Integration Challenge

- Enhancement of the Electricity and Gas Target Models

State of Play

- 8 Network Code (NC) priority areas identified by the Commission in 2011 to support the IEM integration by 2014
- ACER has already issued 7 Framework Guidelines (FG) ✓
The 8th FG is expected by November 2013 ➡
- NCs in 4 areas already recommended for adoption ✓
- Significant further progress expected this year ➡

		FG	NC	RO	Recomm.	Adopted
Electricity	Grid Connections	✓	✓	✓	✓	
	Cap. Allocat. and Cong. Manag.	✓	✓	✓	✓	
	System Operation	✓	✓	➡	➡	
	Balancing	✓	➡			
Gas	Capacity Allocation Mechanisms	✓	✓	✓	✓	✓
	Balancing	✓	✓	✓	✓	
	Interoper. and Data Exchange	✓	➡			
	Harmon. Trans. Tariff Structures	➡				4

European Council conclusions: Priority to "speeding up the adoption and implementation of remaining network codes"

- Complete work on **NCs in all 8 priority areas** and recommend them to the European Commission for adoption:
 - Reasoned Opinion and Recommendations on 4-5 Network Codes
- Support the Comitology Process
- Scoping (and drafting FG in) new areas:
 - Harmonised Transmission Tariff Rules in Electricity
 - Rules for Trading in Gas
 - Incremental Capacity in Gas

- **Early implementation**
 - **Electricity: Capacity allocation and congestion management**
Balancing
 - **Gas: Capacity allocation mechanisms**
- will continue**

State of Play

- Electricity: Capacity Allocation and Congestion Management
 - Long-term: auction rules to be defined by March 2014 and implemented by 1 January 2015
 - **Day-ahead**: delayed, but **Nov 2013 "go live" target for NWE and 2014 EU-wide coupling goal still achievable**
 - **Intra-day**: key to accommodate RES. PXs failed to agree on the IT Platform. **ACER to issue an informal opinion**, which PXs have committed to follow
- Gas: Capacity Allocation Mechanisms
 - **Coordinated auction-based allocation** of a common set of **bundled capacity products** at all Interconnection Points at regional level

Actively preparing for Market Monitoring

REMIT entered into force on 28 December 2011

Prohibitions of Market Abuse:

- Market Manipulation
- Attempted Market Manipulation
- Insider Trading

Obligations:

- to Publish Inside Information
- to notify ACER of delays in the publication of Inside Information
- to establish effective arrangements and procedures to identify breaches of Market Abuse prohibitions
- to notify NRAs of suspected breaches of Market Abuse prohibitions

These Prohibitions and Obligations already apply

Cases assessed by the Agency in 2012 and Q1-2013

Alleged Breach of REMIT Obligation/ Prohibition	N. of cases	Source		Status/Outcome		
		Ex officio	Not/ Rep	Ongoing	Closed Breach Detected?	
					No	Yes
Ineffective Publication of Inside Information	4	2	2		3	1
Insider Trading	1		1			1
Market Manipulation	6		6	4	2	
All cases	11	2	9	4	5	2

Actively preparing for Market Monitoring

REMIT entered into force on 28 December 2011

Monitoring Platform Development

Registration Platform ready in Q3 2013

Pilot Project on Market Monitoring (full cycle)

Platform Development launched in Q4 2011 and ongoing

Actively preparing for Market Monitoring

REMIT entered into force on 28 December 2011

Monitoring Platform Development

Definition of Reporting Requirements, Standards and Procedures

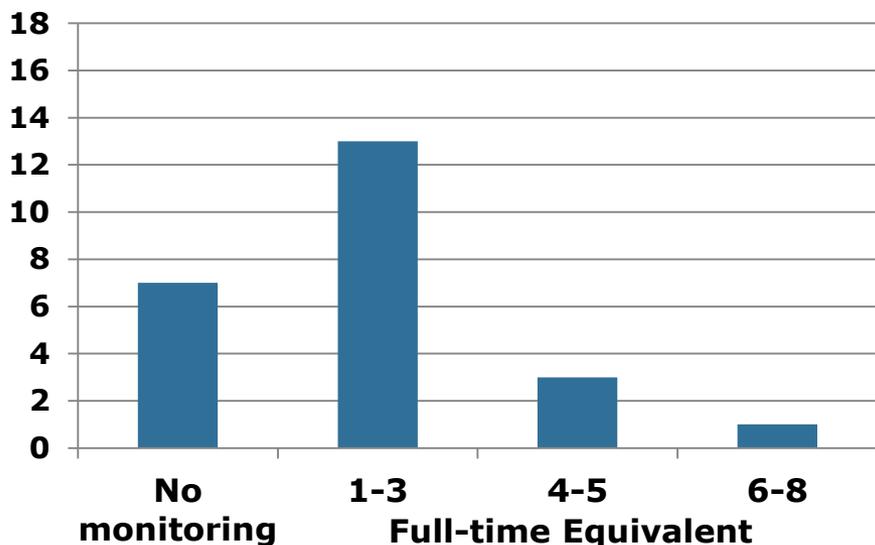
**Guidance on the Interpretation of REMIT
Definitions (2 Editions issued so far)**

**Recommendations to the Commission on the
Records of Transactions required for effective
monitoring, to be defined in Implementing Acts**

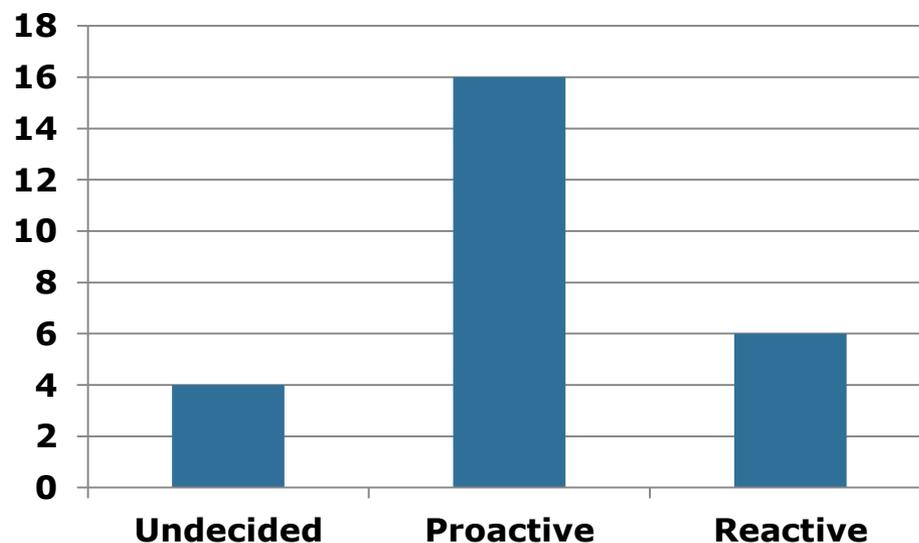
Definition of Reporting requirements and standards

NRAs and REMIT implementation

Staff currently devoted by NRAs to wholesale energy market monitoring



Planned approach by NRAs to wholesale energy market monitoring



Source: NRAs' feedback to an ACER questionnaire (2013)

Market Monitoring without REMIT

Reality from NRAs

Wholesale energy market matters to consumers

- GB has significant proportion of European wholesale gas and electricity markets (traded value is €1 trillion)
- Energy markets and their operation have a high political profile



Energy price manipulation 'could account for at least 50% of bill rises'

Five of the big six companies have raised bills recently, all blaming their actions in part on the current wholesale price

Simon Neville
The Guardian, Wednesday 14 November 2012



Gas prices: Labour calls for transparent trading after whistleblower claims

Caroline Flint says people 'don't trust' energy sector after former price reporter claims firms manipulated wholesale market

Peter Walker
guardian.co.uk, Tuesday 13 November 2012 11:31 GMT

Reality from NRAs

Enforcing REMIT essential for efficient operation of wholesale gas and electricity markets

**NRAs have to enforce REMIT
transactional data is the key to success**

Without it:

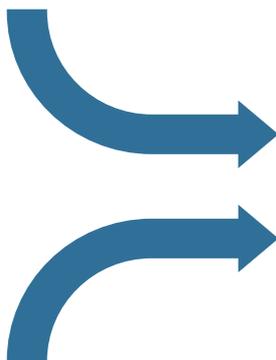
- Harder to **identify** breaches
 - Impossible to identify many types of manipulation (e.g. Wash trades, market cornering, improper matched orders)
- Harder and longer to **investigate** breaches
 - For each case need to create a picture of the market (trades, orders to trade and beneficiaries)
 - Needs more information requests to traders
 - Successful enforcement less likely (investigation more visible and risk of evidence destroyed)

Importance of....

Implementing Acts and properly resourced ACER

Data Acquisition

Trade Data
Fundamental Data



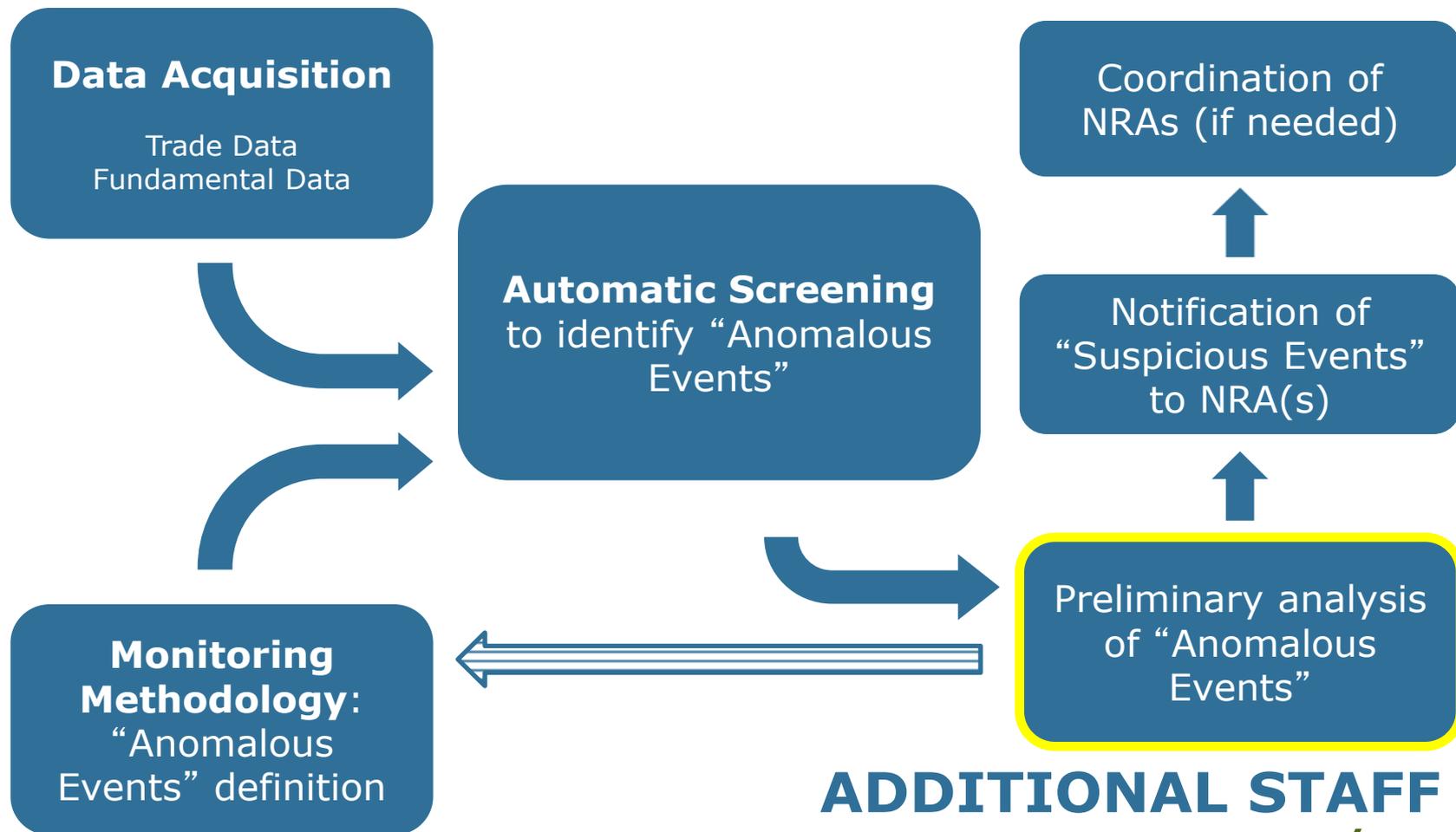
Automatic Screening
to identify “Anomalous
Events”

**Monitoring
Methodology:**
“Anomalous
Events” definition

TOTAL INVESTMENT NEEDED
€ 4 million, of which:

- **€ 1 million in 2012** ✓
- **€ 3 million in 2013** ✓

URGENT!
Go-live in 2014



ADDITIONAL STAFF

- 5 in 2012 ✓
- 10 in 2013 ✓
- 35 in 2014 ?

- Opinions on (electricity and gas) **methodologies for cost-benefit analysis** (CBA) of infrastructure projects
- Guidance and Recommendation on **Incentives and Risk Assessment**
- Annual consolidated report on progress of projects of common interest and recommendations to facilitate the implementation and overcoming delays/difficulties in PCI implementation (if necessary)
- Cross-border PCI cost allocation (if requested or if NRAs disagree)

ADDITIONAL STAFF

- **14 in 2014** ?

(in addition to the requirement for REMIT)

European Council conclusions: "the deployment of renewable energy sources will continue, while ensuring their cost reflectiveness [and] further market integration"

● Review of the Electricity and Gas Target Models

State of Play

- Detailed Target Model for the Internal Electricity Market
- Broader Target Model for the Internal Gas Market
- **These Target Models represent robust starting points for any evolution to handle the increasing penetration of renewable-based electricity generation:**
- Greater flexibility in electricity and gas markets required
- Resource adequacy concerns in electricity generation

31 May

Publication of the 2014 Work Programme
Outline on ACER Website: www.acer.europa.eu

6 Jun

Public Workshop on the 2014 Work Programme
Outline in Ljubljana

14 Jun

Deadline for **Stakeholders to submit comments**
on the 2014 Work Programme Outline

30 Jun

The **2014 Work Programme** is submitted by the
Director to the BoR, the EP and the EC

1 Sep

The **Board of Regulators approves** the 2014
Work Programme

30 Sep

The **Administrative Board**, after consulting the
EC, **adopts the 2014 Work Programme**
approved by the BoR, and transmits it to the
EP, the Council and the EC

- A FINAL WORD:
- CEER complements the statutory responsibilities and work of ACER
- Main areas:
 - Consumer rights
 - International dialogue with regulators, directly and through the International Confederation of Energy Regulators (ICER)

Parallel CEER Work Programme for public consultation until **21 June** and energy customers CEER conference **on 19 June**

- We will continue to support ACER administratively in Brussels

ACER

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Thank you for your attention!

www.acer.europa.eu