ACER
European Union Agency for the Cooperation of Energy Regulators

REMIT Quarterly

ACER guidance on the application of REMIT and transaction reporting

Assessment of the operation of different categories of market places and ways of trading in 2020

In accordance with Article 7(3) of Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (REMIT), the European Union Agency for the Cooperation of Energy Regulators (ACER) shall annually assess the operation and transparency of different categories of organised market places (OMPs) and ways of trading. The assessment is based on information derived from REMIT databases, i.e. ACER's REMIT Information System (ARIS).

Data collection in 2020 once again showed a highly volatile, albeit growing, trend in the number of collected records, which was mainly driven by transactions on OMPs.

Trends in data reporting, market participants (MPs) and registered reporting mechanisms (RRMs)

The growing trend in the amount of collected data, which has been present since the launch of REMIT data reporting in 2015, continued in 2020 as well, with a nearly 103% increase of collected records compared to 2019. Overall, the ARIS system collected and managed around 2.471 billion records of transactions, including orders to trade, in 2020. The increase was mainly driven by records related to orders placed on OMPs, which represented around 90% of all collected records. The impact of orders placed on OMPs is in line with the numbers registered in 2019 (87%, +3 p.p.).

In 2021, Brexit will further affect the scope of reported records. In 2020, RRMs reported more than 135 million records with a UK delivery point or zone. These records are not required to be reported in 2021, which will reduce the overall growth in 2021 by about 5%.

OCT 25

SAVE THE DATE
FOR A VIRTUAL MEETING

ACER Energy Market Integrity and Transparency Forum 2021

The Agency is pleased to announce that the Agency's Energy Market Integrity and Transparency Forum will take place on 25 October as a virtual meeting.
Additional information will be published on the ACER website at a later stage.

Table 1: Transaction reporting trends over the last 4 years (MPs, RRMs)

		MPs					RRMs				
		2017	2018	2019	2020	Δ	2017	2018	2019	2020	Δ
Entities	Registered	12,895	13,971	14,655	**15,587**	6%	117	119	122	**118**	-3%
	Table 1-4	-	-	-	-	-	108	111	114	**111**	-3%
	Active	8,977	9,344	9,601	**10,060**	5%	99	100	97	**95**	-2%
Records	Median	28	29	29	**26**	-10%	14,482	13,946	13,051	**13,130**	1%
	Average	62,682	94,125	126,640	**245,661**	94%	6 M	9 M	10 M	**26M**	160%
	Top 5	207 M	334 M	473 M	**1,012M**	114%	437 M	728 M	1,036 M	**2,204M**	113%
	All	563 M	879 M	1,216 M	**2,471M**	103%	563 M	879 M	1,216 M	**2,471M**	103%
	% Top 5	36.8%	38.0%	38.9%	**40.0%**	3%	77.6%	82.8%	85.2%	**89.2%**	5%

Source: ACER (2021).

In 2020, nearly 1,000 new market participants were included in the European Register of Market Participants (CEREMP), which is 6% more than in 2019. Nevertheless, the ratio of registered market participants that were actively reporting remained 65%, the same as in 2018 and 2019 (Table 1). The obligation to register with a single national regulatory authority (NRA), outlined in Article 9(1) of REMIT, affects market participants entering into transactions that are required to be reported to ACER in accordance with Article 8(1). ACER will continue screening data and cooperating with both NRAs and reporting parties in order to further mitigate the risk of non-compliance with the data reporting obligation of Article 8 of REMIT.

The number of RRMs decreased to 118 in 2020, with 111 RRMs registered for reporting supply and transportation records of transactions, and 95 RRMs effectively reporting data to ACER (Table 1). In 2020, the median of reported data by RRMs slightly increased compared to 2019. On the other hand, the average number of submitted records increased significantly (from 10 to 26 million), which is a result of developments on the wholesale energy market (market coupling, automated trading). The contribution of the top five RRMs has been constantly increasing and already represents more than 89% of all records reported to ACER (+4 p.p. compared to 2019).

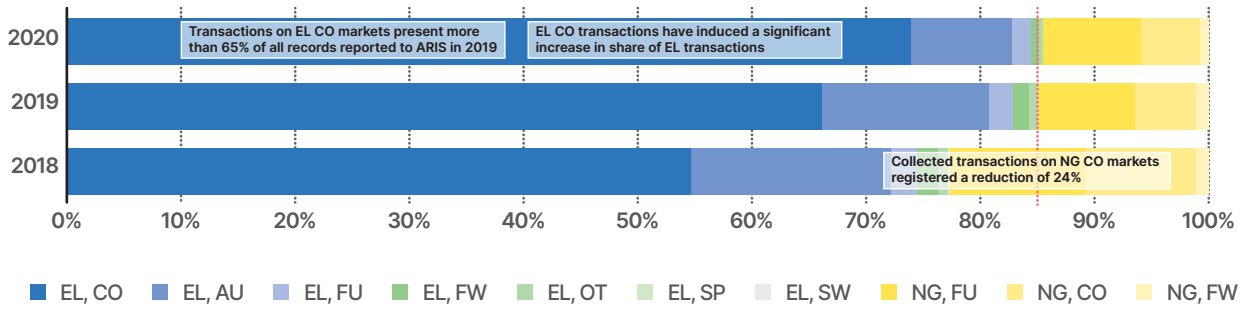
The RRM registration process resumed in the beginning of 2021 after being temporarily suspended in November 2019.

Collected records of Table 1 transactions – statistics per contract type and commodity

The amount of reported valid Table 1 records of transactions doubled in 2020, from 1.1 billion to 2.1 billion, with approximately the same growth for both commodities (EL – electricity and NG – natural gas). The share of valid Table 1 records of transactions referring to EL therefore continues to be 85% (Figure 1).

Even if the overall ratio between EL and NG records was the same in 2020 as it had been in 2019, there were some changes in the relative contribution of records related to different EL contract types. The number of records related to EL continuous markets continued to grow, both in absolute as well as in relative terms; such records now represent 74% of all valid Table 1 records compared to 66% in 2019. The change in records referring to other EL contract types (e.g. auctions), measured in absolute terms, was negligible, which means that these records now represent a smaller portion of OMP data in relative terms. In regards to NG, the number of collected records doubled across all contract types. Consequently, the number of records related to NG futures and NG auction markets continue to represent 9% and 5% of all valid Table 1 records, respectively.

Figure 1: Collected records of transactions – statistics per contract type and energy commodity



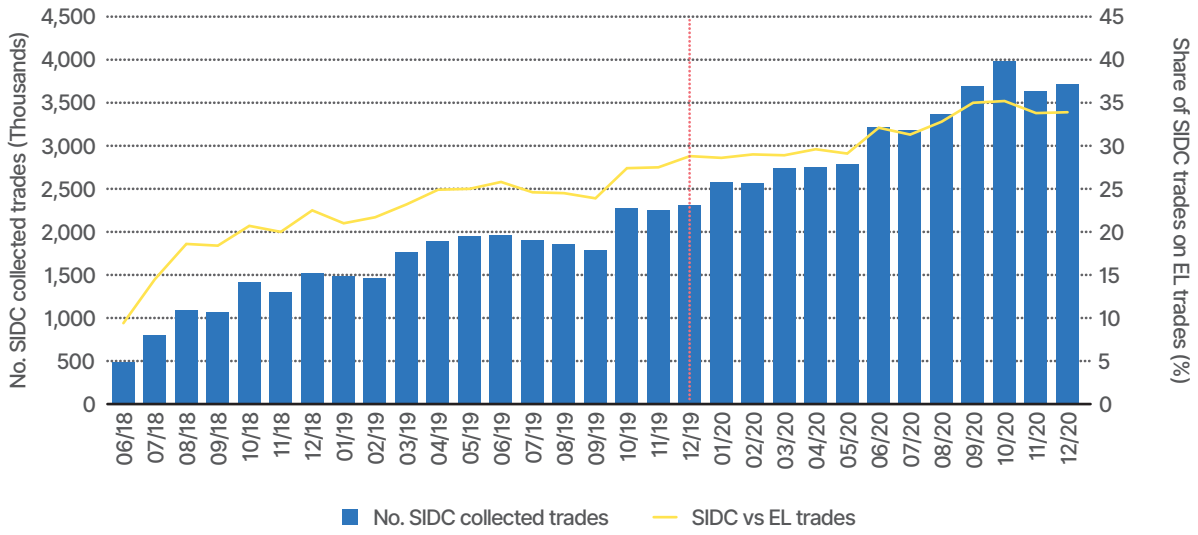
		AU	CO	FU	FW	OP	OP_FU	OP_FW	OP_SW	OT	SP	SW	Total
2020	Electricity	186,405,885	1,565,885,993	35,058,144	14,369,570	817	1,071	798	7	7,781,985	175,688	170,198	1,809,850,156
	Gas	190,994	109,429,442	181,696,747	16,128,211	2,835	11,045,848	1,374	196	17,773	553,550	95,875	319,162,845
2019	Electricity	162,998,825	735,597,788	23,034,482	16,333,243	1,370	1,088	1,023	5	7,656,662	145,636	165,894	945,936,016
	Gas	110,273	59,361,354	95,449,447	11,962,401	5,164	16,800	1,576	109	21,487	373,806	91,194	167,393,611
2018	Electricity	143,187,728	445,259,430	18,074,725	15,142,955	2,763	979	2,001	16	6,899,742	259,759	138,030	628,968,128
	Gas	108,687	78,625,525	97,938,831	9,274,217	4,016	44,400	1,765	49	23,698	388,415	59,489	186,469,092

Source: ACER (2021).

Notes: Abbreviations EL and NG denote electricity and natural gas commodity, respectively. Different contract types are indicated as follows: AU for auction, CO for continuous, FU for futures, FW for forwards, OP for options, OP_FW for options on forwards, OP_SW for options on swaps, SP for spread, SW for swap and OT for other types of contracts. The numbers used in the chart are expressed in percentages and are based on the number of reported records of transactions in 2020 presented in the table. Types of contracts representing close to 0% of all records have been excluded from the chart.

The increase in the amount of valid Table 1 records referring to EL CO markets can be linked to various factors, such as the evolution of the SIDC market and automated trading. The liquidity of the SIDC market segment has significantly increased since the go-live in June 2018, as is evident in the increasing numbers of collected SIDC trades per month (see Figure 2).

Figure 2: Total number of SIDC trades collected per month between January 2018 and December 2020. The evolution of SIDC incidence over collected electricity trades is reported on the secondary axis.



Source: ACER (2021).

In the last quarter of 2020, SIDC trades (a subset of CO contract types) represented, on average, nearly 34% of all electricity trades executed on OMPs, showing an upward trend. This reflects both the growing interest of market participants to trade as close as possible to the delivery, as well as the geographical extension of SIDC at the end of 2019.

The reporting of different contract types across different OMPs is presented in Table 3. It is worth noting that there is an occasional non-reporting of contract type, which is not in line with the TRUM (there are altogether 3.2 million such records). In addition, there are certain contract types we would not expect to be reported as traded bilaterally, even if such data is reported by the reporting parties.

Table 2: Overview of reported contract types per OMP

NAME	AU	CO	FU	FW	OP	OP_FU	OP_FW	OP_SW	OT	SP	SW	Unknown contract type
42 Financial Services			x	x						x		x
Arraco Global Markets Ltd			x	x							x	x
Balkan Gas Hub Ead		x		x								
BGC Brokers L.P.			x	x								x
Borsa Italiana S.P.A., IDEM - IDEX Segment		x										
BSP D.O.O.	x	x										x
Bursa Romana De Marfuri Sa Romanian Commodities Exchange		x		x								x
Cavendish Markets B.V.				x			x	x				x
CEEGEX Ltd.		x	x									x
Corretaje E Información Monetaria Y De Divisas Sociedad De Valores (OTF)			x	x								x
Croatian Power Exchange Ltd.	x	x										x
Enterprise Commodity Services Limited			x	x		x	x				x	x
EPEX Spot Se	x	x		x								x
Etpa B.V.		x										x
European Energy Exchange Ag (OTF)			x									
European Energy Exchange Ag Regulated Market	x	x	x		x	x						x
Evolution Markets Limited				x								x
EXAA Abwicklungsstelle Für Energieprodukte AG	x											
FGSZ Kereskedési Platform Kft		x							x			
Gestore Dei Mercati Energetici Spa (GME)	x	x		x								x
Gfi Brokers Limited			x	x	x		x			x	x	x
Griffin Markets Europe Sas				x								
Griffin Markets Limited			x	x						x	x	x
HENEX Sa	x		x									
HPC Sa			x	x								x
HUPX Ltd.	x	x	x									x
ICAP Energy As			x	x	x					x	x	x
ICAP Energy Limited			x	x	x					x	x	x
ICE Endex Gas Spot Ltd.		x		x								x
ICE Endex Markets Bv		x	x	x		x						x
ICE Futures Europe			x			x						
Independent Bulgarian Energy Exchange	x	x		x								x
Kaasupörssi Oy												x
Lagie S.A.	x											
Marex Spectron Europe Limited			x	x	x	x					x	x
Marex Spectron International Limited				x								x
Marex Spectron International Ltd			x	x								
MEFF Sociedad Rectora Del Mercado De Productos Derivados, S.A.			x									
MIBGAS	x	x										x
MIBGAS Derivatives S.A.	x	x	x									
N2EX/Nord Pool Spot As	x											x
Nasdaq Omx Oslo Asa			x			x						x

NAME	AU	CO	FU	FW	OP	OP_FU	OP_FW	OP_SW	OT	SP	SW	Unknown contract type
Nord Pool Spot As	x	x		x								x
OKTE, A.S.	x	x										x
OMIP - Pólo Português, S.G.M.R., S.A.			x									
Omi-Polo Español S.A. (OMIE)	x	x										x
OTE, A.S.	x	x										x
Polish Power Exchange	x	x		x					x			x
Power Sprinter Gmbh				x								
Romanian Gas And Electricity Market Operator, OPCOM S.A.	x	x		x								x
SEMO	x	x										x
Shard Capital Partners Llp				x			x					x
SPX, S.R.O.				x								x
TP ICAP (Europe) S.A.			x	x						x	x	x
Tradition Financial Services Ltd			x	x	x		x				x	x
Tullett Prebon (Europe) Limited	x		x	x	x		x			x	x	x
UAB Get Baltic		x										x
XBIL (bilateral records)	x	x	x	x	x	x	x	x	x	x	x	x

Source: ACER (2021).

List of Organised Market Places

By regularly updating the List of Organised Market Places (hereinafter the OMP list), ACER strives to promote transparency in the energy market and allow reporting parties, NRAs, and ACER analysts to consistently identify the OMPs where orders are placed and trades concluded.

Several changes to the OMP list were introduced in 2020. The list contained 84 OMP listings in January 2020, but this number decreased to 78 OMPs by January 2021. Four OMPs were completely removed from the list (Kaasupörssi Oy, LAGIE S.A., Powernext non-MTF and Powernext Spot & Regulated Market), three OMPs merged their market segments (TP ICAP, Polish Power Exchange and Tullet Prebon), and two brand new listings were added (ARRACO Ireland Limited and Bulgarian Energy Trading Platform AD). In addition, several OMPs modified their OMP codes for transaction reporting.

Table 3: Changes in OMP codes

NAME	MIC	LEI	ACER code	Comment
Aurel BGC SAS	AURO	5RJTDGZG4559ESIYLD31		removed LEI
Griffin Markets Limited	GRIF	549300F0T2H9MU7YDI50	B0000113U.UK	removed ACER code
ICAP Energy Limited		213800CZM9YMSN4AL882	A0004751F.UK	removed ACER code
Marex Spectron International Ltd	SPEC	549300FR3U1PB1Y6LV13	A0012202S.UK	removed ACER code
SCB Associates Limited		21380066NQ4N1WXR8I53	A0015219A.UK	removed ACER code
Shard Capital Partners LLP		213800F19DFL9NQ7YL21	A0002779Z.UK	removed ACER code
Tavira Securities ltd		213800KDMRJLS2KX8Z18	A00084591.UK	removed ACER code
TSAF OTC	TSAF	969500V058ZSY03FNX80		new LEI
ETPA B.V.		724500ESIIL4H59L4375	B0005193M.NL	added ACER code
HENEX SA		2138003ETH4FUSCHL785	B0015217D.GR	added ACER code
Marex Spectron Europe Limited	MSEL	549300L6UG0LIPH04553	A0015798I.IE	added ACER code

Source: ACER (2021).

Real-time operational security and REMIT: sometimes real market abuse?

Why does it matter?

This article touches on REMIT-related challenges in balancing services, non-frequency ancillary services and redispatching. These have in common that their relevance and volume are expected to increase in the foreseeable future, given the European Clean Energy ambitions and ensuing growth in renewable and distributed energy sources. Such evolution can only work well if there is trust in the supporting markets: where markets evolve, the risk of market abuse evolves too. That is why a good application of REMIT is important.

To ensure operational security in real time, services that provide flexible reactions to changes in the grid are needed. In a broad sense, flexibility can be understood as the *ability of the electricity system to respond to fluctuations of supply and demand while, at the same time, maintaining system reliability.*[1] This article covers these services offered centralised and decentralised, from day ahead up to real time, for redispatching, non-frequency ancillary and balancing purposes. The decentralised service provision is referred to as local markets, which ultimately mainly deal with solving congestion or voltage issues from a local perspective but can also offer access to wholesale and balancing markets.

The first section of this article looks into possible abuses involving the balancing market. Then, the 'Inc-Dec gaming' behaviour in redispatching, which is gaining attention with increasing redispatching needs,[2] is explained. Finally, the article explores local markets, before providing some high-level conclusions.

What can happen on the balancing market?

In recent years, ACER has been made aware of several instances of potential market abuse involving the balancing markets. Such potential abusive behaviour is usually connected to actions on the intraday or day-ahead markets. The following high-level examples offer an illustration of behaviours that could potentially lead to market abuse under REMIT.

The first example involves the declaration of false outages of assets in the day-ahead or intraday electricity market, which could allow the Balance Service Provider (BSP) to leverage a position in the balancing energy market, especially if the assets are needed to comply with dimensioning requirements.[3] This can lead to situations in which the transmission system operator (TSO) needs to buy balancing energy at very high prices not justified by market fundamentals, possibly from the concerned BSP.

The second example, also described in ACER's Guidance on REMIT,[4] is the use of information related to balancing energy requests to BSPs. In some Member States, BSPs receive balancing energy requests from the TSO while the relevant intraday products are still being traded for the same market time unit. This can lead to market abuse in different ways. Firstly, the balancing energy request knowledge on the activation of, for example, automatic or manual frequency restoration reserve (aFRR/mFRR) is considered inside information on the system state when not yet published to the entire market. Trading based on the relevant information related to these requests is therefore considered insider trading. Moreover, such trading, when done on the intraday market in the direction that increases system imbalance could, in certain circumstances, cause price evolutions that are not supported by any change of market fundamentals. Secondly, the information related to balancing energy requests could lead market participants to buy the electricity that they would need in order to provide balancing energy bids to the TSO in the intraday market. This could, in case it is not physically sourced by the seller, cause even higher imbalances, which would consequently need to be resolved in the balancing market. Finally, a market participant could exchange electricity in intraday from bidding zone 'A', to which an upwards activation signal relates, to bidding zone 'B'. This can make the short system position of bidding zone 'A' even shorter, thus influencing the price of balancing energy.

Some of these behaviours can be exacerbated using algorithms. The examples demonstrate that, depending on market rules and corresponding market fundamentals, the balancing market can be abused or can provide leverage for abuse in other markets.

Redispatching: What is 'Inc-Dec' gaming?

Redispatching pertains to the alleviation of forecasted or actual physical congestions resulting from physical constraints. Redispatching can involve considerable volumes of energy, as shown in ACER's Market Monitoring Reports.[5] Moreover the amount of congestion in European grids is expected to grow even further over the coming years, in a large part due to the vast increase of renewable energy sources and the '70% rule' on margin available for cross zonal trade,

1 CEER, 'European Energy Regulators' White Paper # 3: Facilitating Flexibility', 22 May 2017.

2 ENTSO-E, 'Options for the Design of European Electricity Markets in 2030. Discussion Paper for Stakeholder Consultation', 31 March 2021.

3 Such a 'fake outage' means that the assets are actually available and can be used by the BSP, although they are declared to be unavailable (in first instance).

4 ACER, 'Guidance on the Application of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on Wholesale Energy Market Integrity and Transparency - 5th Edition', 18 November 2020.

5 ACER and CEER, 'Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2019. Electricity Wholesale Markets Volume', October 2020.

originating from the Clean Energy Package.[6]

The main possible redispatching tool is changing the dispatching – both up and downwards - of generation,[7] which can be curative or preventive. In close to real time operation, curative redispatching is more common although the majority of redispatching volumes are of a preventive nature. Other redispatching tools are curtailment, restriction contracts or single-sided (only downward) redispatching which can also be curative or preventive. The need for redispatching is illustrated by the following example.

Constraints between the north and the south of bidding zone 'A' can accommodate for power flows of 1 000 MW. The day-ahead market clears for a demand of 5 000 MWh at 50 EUR/MWh. The main demand centre is situated in the south, while the north is a production area. The resulting internal bidding zone north-south trades would amount to an expected north-south physical power flow of 1 500 MW. As a result, the system operator will have to take measures to reduce forecasted line loading by means of cost- or market-based redispatching of generation.

Line loading can be reduced by having generation units in the merit order in the north redispatched down. Concurrently, generation units outside the merit order in the south will be redispatched up to ensure the same level of generation. This, in essence, captures the concept of redispatching. Since redispatching calls on power plants that are originally outside the merit order to increase production, and on cheaper power plants upstream of the congestion to reduce production, redispatching comes at a cost. Moreover, with a window for market participants to modify their positions in anticipation of such remedial actions, so is there a window for arbitrage and potential abuse to take place. This is the usual approach to redispatching, although more and more preventive curtailment contracts or temporary access limitations (downward redispatching) are applied, where generation units likely to cause congestion are compensated before the day ahead market.

Inc-Dec gaming[8], referring to Increase-Decrease or alternatively to Incremental-Decremental, is a trading strategy that represents typical behaviour in anticipation to redispatching. Market participants applying this strategy not only take advantage of zones where physical congestion can be expected with high certainty, but can also exacerbate the physical congestion.

In the example above, to cover the demand, all generation capacity within the merit order is cleared or sold during day ahead or intraday. Sell orders typically reflect variable costs, with varying levels depending on the fuel type: wind, coal, gas and diesel peak load plants, to name a few. However, the incentive for Inc-Dec gaming is in the anticipation of congestion and subsequent redispatching, which may result in windfall profits for downward redispatched units, and a compensation for upward redispatched units.

In Inc-Dec gaming, the benefitting actor upstream of the congestion, will offer a lower price than its true variable costs, for example in the day-ahead market. The actor does this in order to increase (Inc) its output, if it expects to be redispatched down (Dec) afterwards. By doing so, it will be able to realise the profits of its positioning during redispatching through carrying out arbitrage between the day ahead market and redispatching. In the example above, downwards redispatching is performed on 500 MW of relatively cheap power plants in the north.

By contrast, upwards redispatching involves a different principle. In order for generation capacity not to clear for the respective system demand in a spot market, its offering prices must be out of the merit order, thereby following a 'Dec-Inc' gaming principle, by decreasing output in the spot market in order to offer more during redispatching. This is achievable through economic withholding by means of higher-than-actual sell orders. Alternatively, physical withholding entails alternating actions to reduce or impede generation capacity altogether (for a reference to 'capacity withholding' see the announced update of the Guidance in this REMIT Quarterly). Next, the originally withheld volume can be activated by the TSO in upward redispatching, typically at prices paid above the cleared price in the spot market and above the generators' marginal costs. In the example above, upwards redispatching is performed on 500 MW of relatively expensive power plants in the south, downstream of the congestion.[9]

REMIT is relevant to Inc-Dec gaming due to the detrimental effect such a strategy could have on the final customers. It incentivises individual parties to anticipate congestion, thereby even risking increasing the size of congestion and negatively affecting overall welfare. Inc-Dec gaming involves actions on several markets that can imply behaviours[10] that could potentially lead to market abuse.

What are local markets?

The integration of renewable energy sources in the European grid, together with the increasing connectivity of the assets on the network, gives rise to new flexibility needs and possibilities. The flexibility does not only need to rely on large power plants or industrial consumers, but is also embodied by smaller production assets and by aggregators pooling consumer's flexibilities. These flexibilities on the lower voltage levels can address system operator issues at the distribution level: voltage violation, redispatching, line

6 Lion Hirth et al., 'Cost- or Market-Based? Future Redispatch Procurement in Germany', Commissioned by the Federal Ministry for Economic Affairs and Energy, 7 October 2019; Amir Ashour Novirdoust et al., 'Electricity Spot Market Design 2030-2050', 23 February 2021; Tim Schittekatte and Alberto Pototschnig, 'Highlights from the Workshop on The Configuration of Bidding Zones. What English Gardens, Monkeys and the Titanic Have to Do with Bidding Zones', Florence School of Regulation, 26 June 2020.

7 Leonardo Meeus, The Evolution of Electricity Markets in Europe (Edward Elgar Publishing, 2020), chaps 3, 5.

8 Jacqueline Lang Weaver, 'Can Energy Markets Be Trusted-The Effect of the Rise and Fall of Enron on Energy Markets', Hous. Bus. & Tax LJ 4 (2004): 1; Steven Stoft, Gaming Intra-Zonal Congestion in California (March, 1998); Lion Hirth and Ingmar Schlecht, 'Redispatch Markets in Zonal Electricity Markets: Inc-Dec Gaming as a Consequence of Inconsistent Power Market Design (Not Market Power)', 2019; Mahir Sarfati, Mohammad Reza Hesamzadeh, and Par Holmberg, 'Increase-Decrease Game under Imperfect Competition in Two-Stage Zonal Power Markets–Part I: Concept Analysis', 2018.

9 If spot market bids are used as reference for the payment, the remuneration is higher than the variable cost.

10 The list of behaviours that could constitute market abuse is provided in the ACER Guidance on REMIT.

losses, reverse power flows, etc. These flexibilities can also be offered directly to wholesale market participants. Specific new tools are being created in order to value these flexibility services at the local level, in the so-called local markets.[11]

Local markets are an answer to the 3D strategy[12] (decentralisation, decarbonisation, and digitalisation) elaborated by the European Union. Nowadays, the power grid is more complex with multidirectional electricity flows and a higher share of renewable energies in the mix can be detrimental to the predictability of such flows. At the same time, the 'prosumer' does not only consume, but also takes an active part in the grid and the market, since they are able to produce power itself, or to modulate its consumption.[13] Thanks to the high penetration of smart systems, prosumers can react promptly to market signals in order to mitigate their consumption or to shift it, thereby offering flexible services.[14] At an aggregated level, these flexibilities can provide redispatching and balancing (or other ancillary) services to the distribution or transmission grid.

The Electricity Directive of the Clean Energy Package (CEP) states that Member States shall provide the necessary regulatory framework to allow and incentivise distribution system operators (DSOs) to procure flexibility services.[15] The new Directive provides amendments to the market rules and even defines new market roles, among which the 'aggregators'.[16] A comparison of flexibility services for redispatching against system expansion is mandatory for DSOs serving more than 100 000 customers.[17]

Given the above, local markets are a development that is expected to grow in importance over the next years. This can already be witnessed through the emergence of different platforms offering redispatching and balancing services to system operators and balance responsible parties (BRP).[18] With the rise of such platforms and the expected interactions with other markets, such as day-ahead and intraday, the possibility of abuse on local markets also needs to be considered.

Since REMIT applies to wholesale energy products, the local markets fall under the regulation whenever wholesale energy products are traded. Arbitraging between local markets and markets running in sequence or in parallel is a possibility to consider. For example, certain actors could be incentivised to withdraw a part of their capacity on the day ahead or intraday markets to offer it later on the local market, basically engaging in Inc-Dec gaming at the local level.[19] Actors could also exacerbate congestions in order to benefit from higher prices on the local market. In other words, such behaviours as described in the previous two sections of this article could also be expected to emerge in local markets.

Conclusion

Market abuse practices are to be expected in all markets involving wholesale energy products. Given the specific characteristics of balancing markets, non-frequency ancillary services and redispatching, special attention needs to be given to the behaviours that could potentially lead to market abuse in these markets under REMIT.

Balancing markets, non-frequency ancillary services and redispatching, at a centralised or local level, are interlinked and comprise similar features, meaning they could exhibit similar behaviours also in terms of REMIT. Moreover, they easily interact with spot markets, such as day ahead or intraday markets, making them a target for cross-market arbitraging.

In order to preserve trust in these markets, adequate monitoring will be key. Where markets evolve, market abuse evolves too and, in order to safeguard market integrity, so needs the market monitoring.[20]

Time, experience and the necessary market monitoring will tell whether certain behaviours in balancing markets, non-frequency ancillary services and redispatching will actually lead to real market abuse.

11 Julia Radecke, Joseph Hefele, and Lion Hirth, 'Markets for Local Flexibility in Distribution Networks', 2019.

12 'Speech by Commissioner Simson at the Smart Energy Europe (SmartEn) Online Symposium'.

13 Towards Smarter Grids: Developing TSO and DSO roles and interactions for the benefit of consumers, ENTSO-E, 2015'.

14 Jan Martin Zepter et al., 'Prosumer Integration in Wholesale Electricity Markets: Synergies of Peer-to-Peer Trade and Residential Storage', Energy and Buildings 184 (1 February 2019): 163–76.

15 Article 32 of 'Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on Common Rules for the Internal Market for Electricity and Amending Directive 2012/27/EU (Text with EEA Relevance.)', Pub. L. No. 32019L0944, OJ L 158 (2019).

16 Jens Büchner, René Beune, and Jan von Appen, 'Real Time Flexibility Markets. Development of Fingrid's Vision on the Design of a Finnish Flexibility Market', 14 November 2019.

17 Radecke, Hefele, and Hirth, 'Markets for Local Flexibility in Distribution Networks'.

18 Tim Schittekatte and Leonardo Meeus, 'Flexibility Markets: Q&A with Project Pioneers', Utilities Policy 63 (2020).

19 Lion Hirth et al., 'Cost- or Market-Based? Future Redispatch Procurement in Germany'.

20 In the current REMIT data reporting framework, not all data on the mentioned markets are collected systematically by ACER. Therefore, currently, ACER does not have systematic monitoring on these markets.

ACER's view on repercussions of Brexit on the registration of market participants and data collection under REMIT

ACER's updated Open Letter on the withdrawal of the United Kingdom from the European Union and implications on the registration of market participants and data collection under REMIT, published on 18 December 2020, establishes that market participants registered in the UK which intend to enter into transactions in European Union's wholesale energy markets after the end of the UK's transition from the EU on 31 December 2020 may take early steps towards re-registering with the NRA of an EU27 Member State (via the 'Change Member State' functionality in the CEREMP registration system). The approval process of the UK market participants' re-registration with the EU27 national regulatory authorities commenced on 4 January 2021, i.e. the first working day of 2021. A total of 139 UK market participants have requested to change their Member State and re-register with an EU NRA. The other 1,209 UK market participants were removed from CEREMP on 4 January 2021.

In addition, the Open Letter addressed data collection as of 1 January 2021. Final technical instructions for reporting were shared with RRMs in December 2020. RRMs were instructed to open contingency reports in cases when reporting is not possible for new transactions concluded in 2021 by UK market participants who are in the process of re-registering with an EU27 national regulatory authority. During Q1 of 2021, ACER received 15 contingency reports related to Brexit (see article 6 for more details on contingency reports).

Brexit has also necessitated several IT changes related to ACER's ARIS applications and the REMIT Portal. For instance, the European Register of Market Participants, the List of RRMs, OMPs list, List of standard contracts, List of accepted delivery points or zones (Annex VI to TRUM), and the List of LNG facilities subject to reporting according to REMIT (Annex IX to the Manual of Procedures on data reporting) were updated in Q1 of 2021 to reflect the removal of UK market participants and the relevant venues and contracts.

As regards the Protocol on Ireland and Northern Ireland, ACER has been in close contact with the European Commission and may provide updates in the future REMIT Quarterly.

ACER resumes the registration of registered reporting mechanisms (RRMs)

In light of the adoption and entry into application of the Commission Decision (EU) 2020/2152 of 17 December 2020, which introduces fees due to ACER for collecting, handling, processing and analysing information reported under REMIT, ACER resumed the registration of registered reporting mechanisms (RRMs) in Q1 of 2021. In November 2019, ACER informed its stakeholders that the processing of pending applications for the registration of REMIT reporting parties had to be suspended due to ACER's resource limitations.

During Q1 of 2021, ACER:

- updated the relevant documentation on the REMIT Portal (i.e. the Requirements for the Registration of Registered Reporting Mechanisms and the RRM Application Form) to reflect that the European Commission's Decision foresees an initial enrolment fee for entities applying to become an RRM and a yearly fee for registered RRMs.
- cleared the backlog of 401 outdated pending RRM applications from the system. As many of them were no longer relevant or had been initiated by mistake, it was essential that these were removed so that applicants would not become subject to the newly introduced fees.
- acquired the minimum human resources that would support the RRM registration activity which remains very labour-intensive.

Since the resumption of the RRM registration process in Q1 of 2021, ACER has received 24 new RRM applications from registered market participants, and six new applications from other applicants.

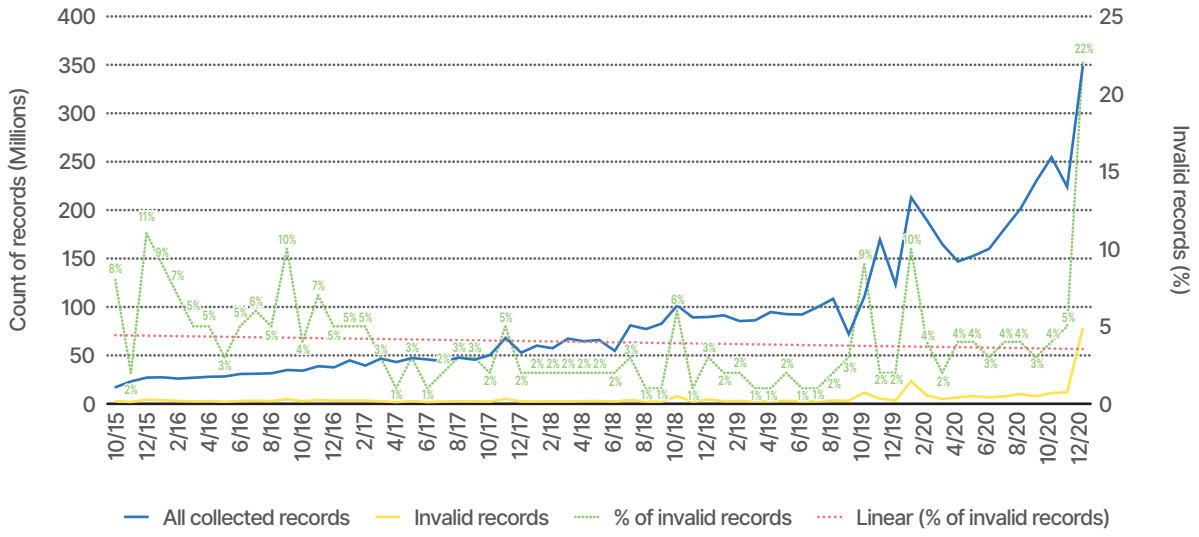
Validation rules - statistics for 2020

Data validation is an important procedure that ensures that data submitted to ACER is of adequate quality to be stored in ACER's REMIT database. As such, data validation also enables further, business analysis of the data.

The reported REMIT data is automatically checked when uploaded to ACER's REMIT information system (ARIS). Only the data reported using the appropriate format and naming conventions is processed and promoted to the staging area. There, the data is checked against validation rules, which focus mainly on the validity of the individual reported fields, the uniqueness of the records, and the consistency between the different fields. Once the data is validated, the system stores the records and identifies them as either valid or invalid. The reporting parties receive appropriate feedback. Further details about ARIS validation rules can be found in the ACER REMIT Information System Data Validation Document.

Figure 3 compares, in absolute and relative terms, the number of collected records of transactions, including orders to trade, to the number of invalid records per month. The rising trend in the number of collected records has also resulted in higher absolute rejection rates. The outlier in December 2020 was due to a single reporting party issue, which triggered over 72 million validation rules breaches. The breaches were mainly related to the reporting of duplicate order records.

Figure 3: Number of collected records of transactions per month compared to invalid records in absolute and relative terms



Source: ACER (2021).

In 2020, the vast majority of validation rule breaches were related to uniqueness issues (90%), followed by completeness (9%) and accuracy (1%) issues. Uniqueness issues were usually related to the duplications of records, while completeness issues stemmed from life cycle events being applied to non-existing records. Accuracy issues were mainly related to submissions of records identifying non-accepted delivery points or zone codes (Annex VI to the TRUM) and to non-registered market participants (CEREMP).

Overview of contingency reports opened by registered reporting mechanisms (RRMs)

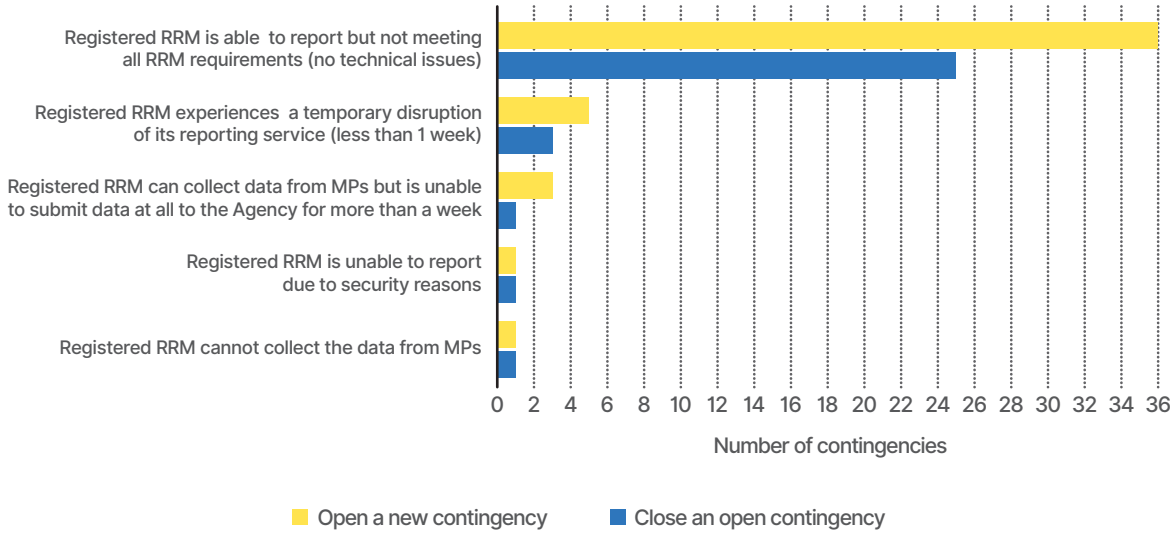
Every quarter, ACER communicates the number and status of contingency reports opened by RRMs, as well as the most common reasons for which RRMs resort to contingency in the first place.

The statistics for Q1 of 2021 show that 26 different RRMs submitted 46 contingency reports between January 2021 and March 2021. The most common contingency scenario indicated by RRMs in this period refers to the case when an RRM is able to report but is not meeting all of the RRM requirements, such as completeness of data, timeliness of submission, accuracy of data, and validity. In particular, the most affected data stems from the reporting of transactions related to standard supply contracts as defined by REMIT and its Implementing Acts.

15 of the 46 contingency opened in the quarter were related to Brexit, 9 have already been closed and the main issue encountered was the timeliness of submission.

Out of the 46 contingency reports registered during the quarter, 31 have already been closed for which the RRMs needed on average 16 days to close it. 15 reports remain open. ACER contacted 4 RRMs in regard to the quality of the contingency reports they opened.

Figure 4: Number of contingencies opened and closed in Q1 divided by scenario



Source: ACER (2021).

303 REMIT breach cases under review at the end of the first quarter

ACER had 303 REMIT cases under review at the end of Q1 2020. REMIT cases are potential breaches of REMIT that are either notified to ACER by external entities or identified by ACER 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.

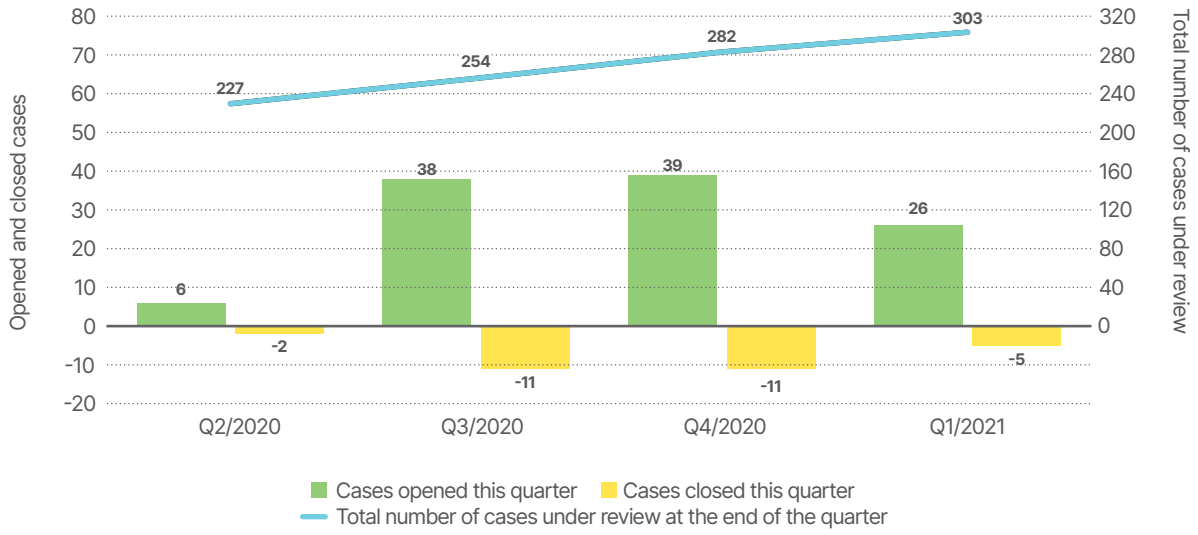
Figure 5 shows the number of cases that were under review by ACER at the end of Q1 2021.[21]

Table 2 lists the cases where a Decision imposing a sanction was issued by the relevant national authority in the last four quarters. Some of these Decisions are currently under appeal. An overview of all market abuse Decisions (breaches of Articles 3 and 5) imposing sanctions can be found here.

ACER is responsible for the monitoring of wholesale energy markets and aims to ensure that national regulatory authorities carry out their tasks in a coordinated and consistent way, but it is not, however, responsible for the investigation of potential breaches of REMIT.

21 The numbers for 2020 were updated with the offline information received during the COVID lock down period that was now fully incorporated in the system.

Figure 5: Potential REMIT Breach Cases - Quarterly Statistics



Source: ACER (Case Management Tool).

Table 4 - Overview of market abuse Decisions (breaches of Articles 3 and 5) imposing sanctions (last 4 quarters)

Decision date	NRA, Member State	Market Participant	Type of REMIT breach	Fine	Status	Source
25 February 2021	CNMC (ES)	Rock Trading World S.A.	Article 5	EUR 60,000	Appeal possible	Link
16 December 2020	Ofgem (UK)	EDF Energy (Thermal Generation) Limited	Article 5	£ 6,000,000 (approx. EUR 6.7 million)*	Final	Link

Note: Article 18 of REMIT establishes that the rules on penalties for breaches of Article 3 and 5 of REMIT are established by the Member States. The implementation regime is therefore different across Member States and some breaches of REMIT may be sanctioned under national provisions. Please consult the sources for the status of the proceedings and more information on the Decisions. Only the Decisions publicly announced by the NRAs are included. Due to this fact, there are several sanction Decisions taken in 2020 that are not part of this table.
** This amount includes both the (i) fine and (ii) confiscated profit.*

Recent updates of the REMIT documentation

Updated List of accepted EIC codes

The first 2021 quarterly update of the List of accepted EIC codes was published on the REMIT Portal on 31 March. One new EIC code was included in the list, while another EIC code was reactivated. Furthermore, evidence of additional three EIC codes that will be deactivated in 2021 due to Brexit was provided.

Access the latest List of accepted EIC codes here.

The next update of the List of accepted EIC codes will occur in Q2 2021. The involved parties are invited to check Annex VI of the TRUM before submitting their requests, and to make sure to submit their requests for the inclusion of new codes in the List of accepted EIC codes no later than two weeks before the end of a quarter. Late requests will be considered for the next planned quarterly publication.

ARIS Data Validation Rules Configuration Document

On 8 March, the latest validation rule configuration (version 6.8) for ARIS data collection instance (DCI) environments was published on the REMIT Portal. The document illustrates the status of the validation rules in production and testing framework environments, which are accessible to RRMs and are used for REMIT data reporting to ACER. The document includes a new section with the version control history changes for easier tracking of the new values and updates.

Access the document here.

ACER REMIT Information System Data Validation Document

On 29 January, the latest system data validation (version 4.6) for ARIS data collection instance (DCI) environments was published on the REMIT Portal. The document describes the recent updates in regards to the technical and functional data quality validations, the data correction validation, and the validation of late reported transaction data. The main updates refer to the rules and the respective transaction types with a secondary market procedure.

Access the document here.

Q&As on REMIT fees

In December 2020, ACER published the 1st edition of the Questions and Answers on REMIT Fees to accompany the Commission Decision on REMIT fees, which was adopted on 17 December 2020 and entered into force on 21 December 2020.

The Q&As on REMIT fees provide further details on the methodology behind the fee calculations.

The Q&A document was updated on 29 January in order to provide the methodology of attribution of transaction records to the RRM-MP transportation records, which was under discussion with external stakeholders at the time when the 1st edition was published.

Access the document here.

List of LNG facilities subject to reporting according to REMIT

The list of LNG facilities subject to reporting according to REMIT was updated on 22 February. Three United Kingdom LNG Facilities were removed to reflect the changes to the scope of REMIT caused by the withdrawal of the United Kingdom from the European Union.

Access the document here.

ACER updates its guidance on REMIT application

On 11 May, ACER published an updated version of the Guidance on the application of the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT).

This edition updates section 6.4.1., more specifically the part on the behaviour of capacity withholding.