


**ACER**

 Agency for the Cooperation  
of Energy Regulators

# The integration of energy markets across the EU: Progress Update

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**Energy Risk Summit Europe  
London, 8 October 2013**

# Outline

- An update on the network codes
- Electricity Market Coupling
- Market monitoring and the impact of the current financial regulation review
- Challenges ahead

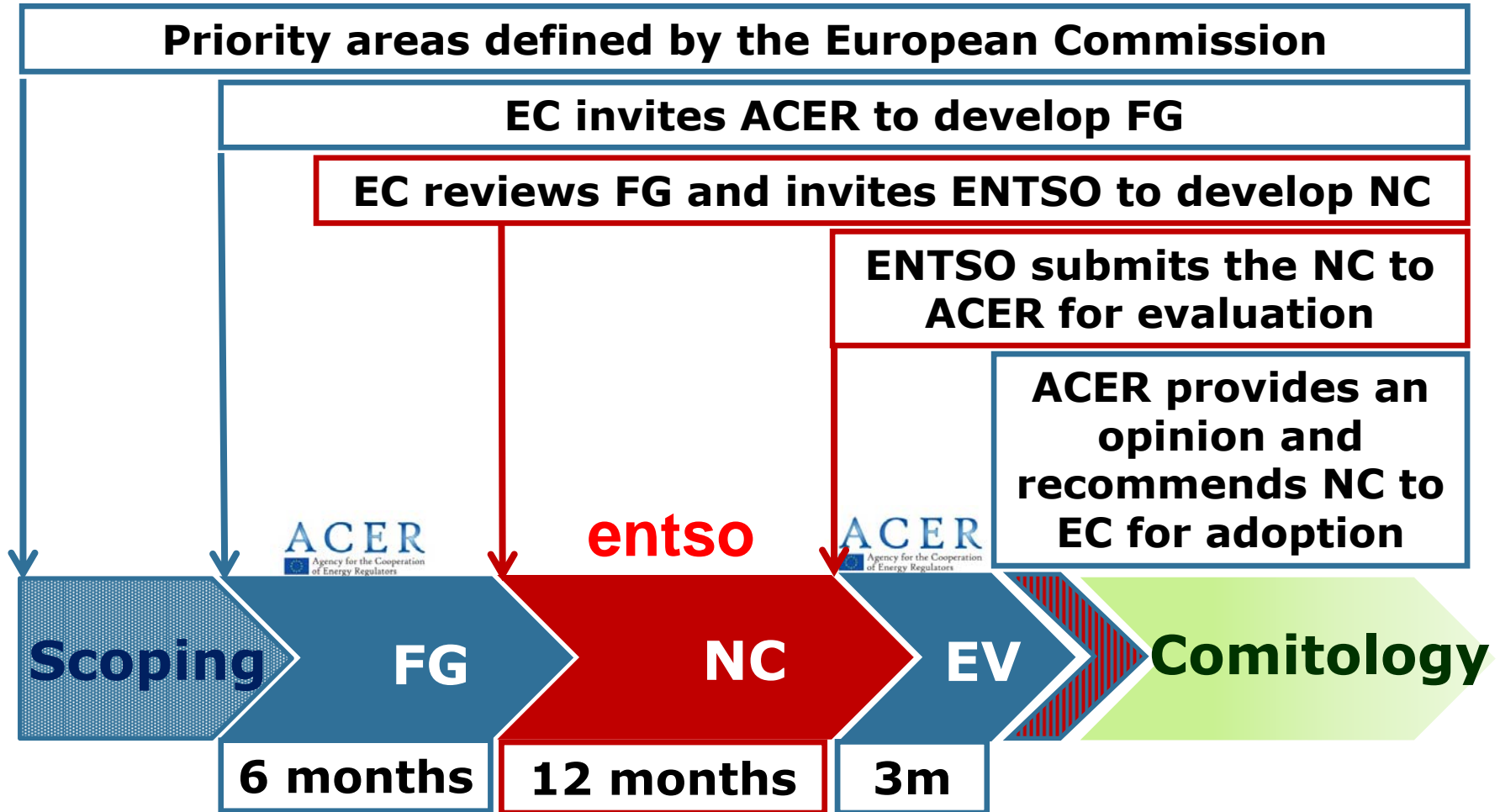
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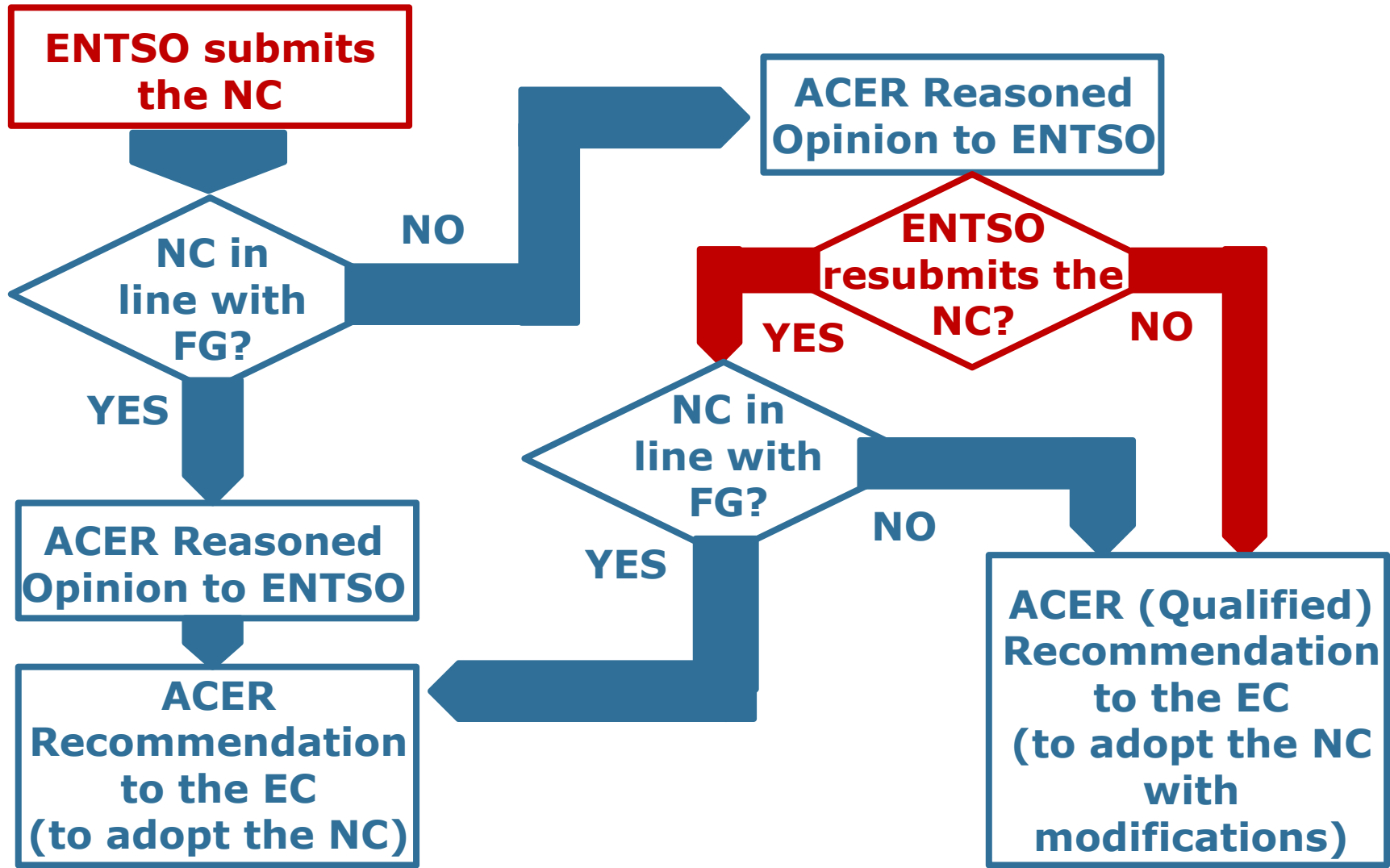
# Framework Guidelines and Network Codes

Framework Guidelines (FG)	Network Codes (NC)
Based on the annual <b>priorities set by the Commission</b>	
<b>Non-binding</b>	Are made <b>legally binding via “Comitology”</b>
Setting <b>clear and objective principles</b> for the network codes	Must be <b>in line with the FG</b>
Shall contribute to non-discrimination, effective competition and the efficient functioning of the market	Provide effective access to the TSO networks across borders; promote cooperation & coordination among TSOs; allow for national network rules and regional specificities

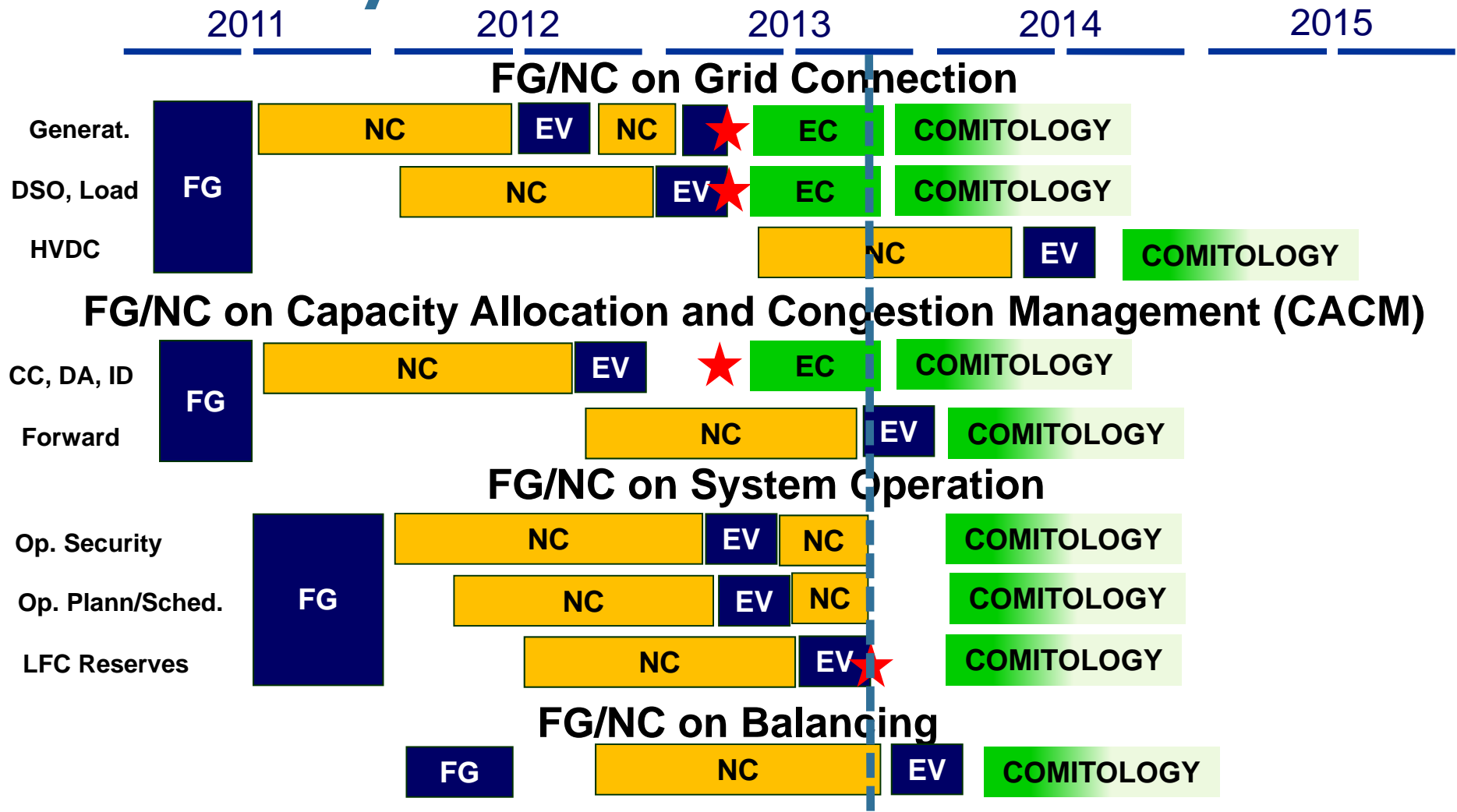
# FG and NC: Basic Timeline



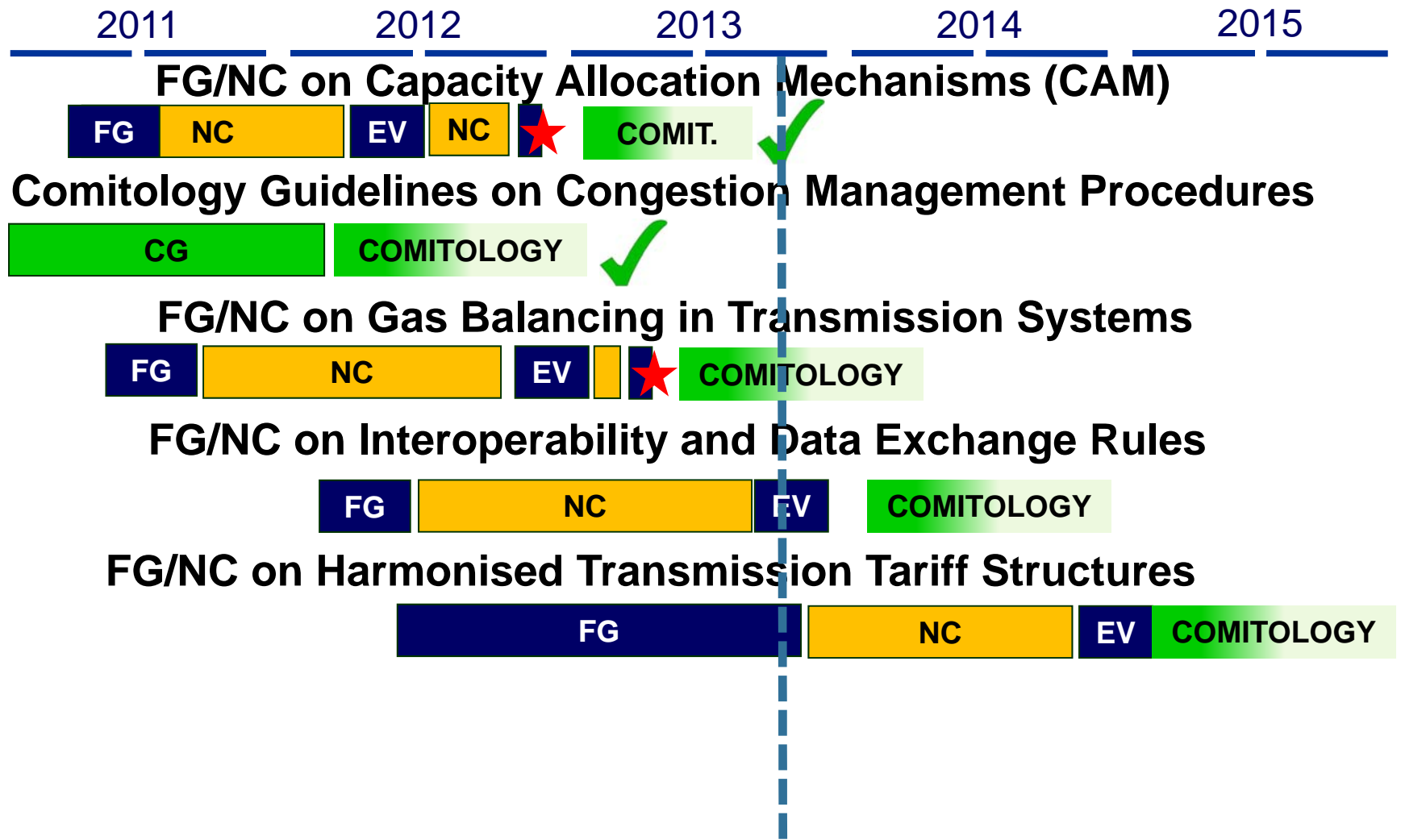
# NC: Opinions and Recommendations



# Progress in Network Codes Development Electricity



# Progress in Network Codes Development Gas

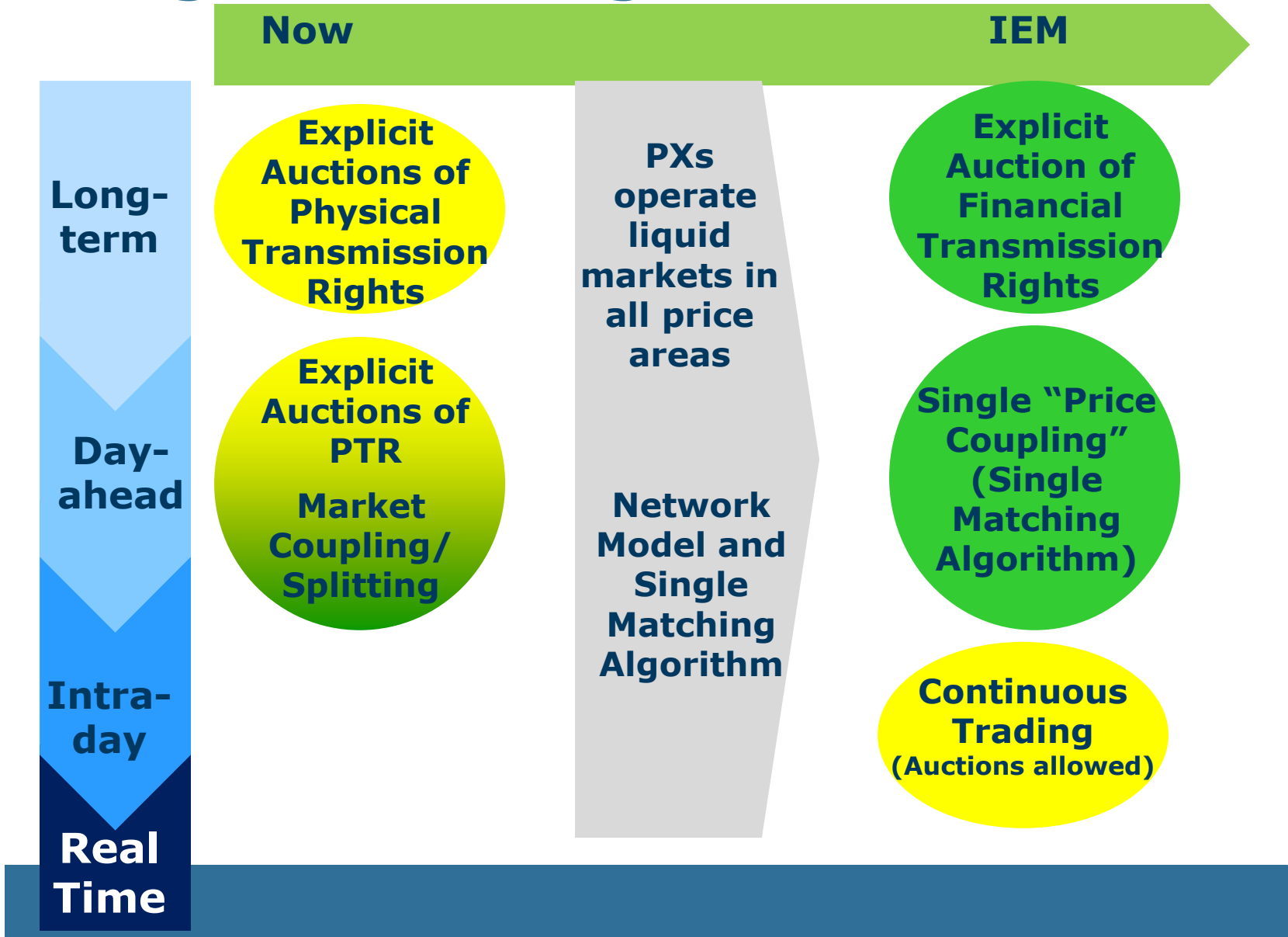




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# Congestion Management in the IEM



# Completing the Internal Electricity Market by 2014

## **Formal Framework Guidelines / Network Codes process**

**FG/NC on Electricity Grid Connection**

**FG/NC Capacity Allocation and Congestion Management**

**FG/NC on System Operation**

**FG/NC on Electricity Balancing**

## **Voluntary Coordinated Implementation of the Target Model**

**Agency Electricity Stakeholders Advisory Group (AESAG)**

**Regional and Cross-Regional Roadmaps**

**Capacity calculation**

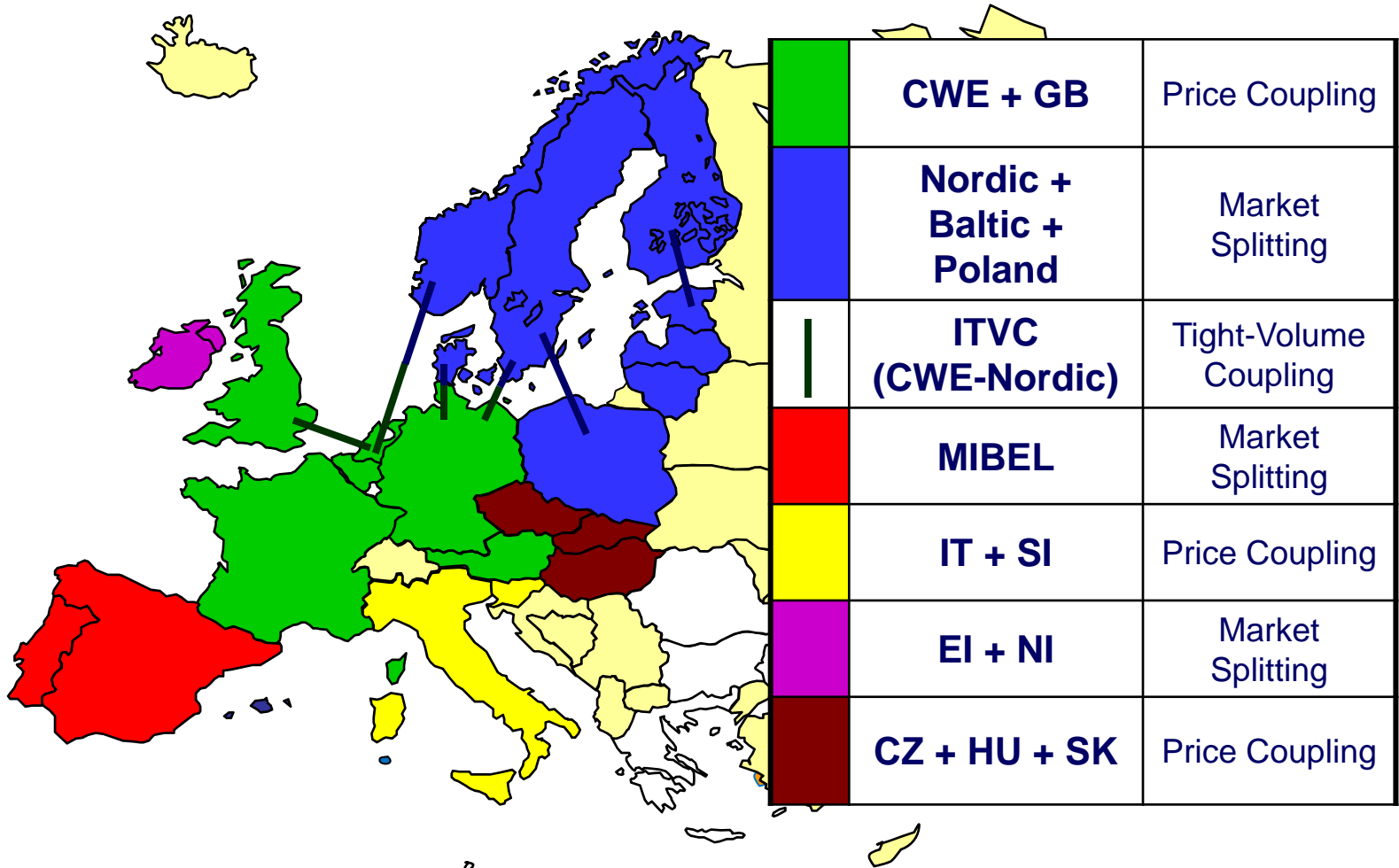
**Long-term capacity allocation**

**Day-ahead capacity allocation**

**Intra-day capacity allocation**

**Pilot projects on Balancing**

# Current Regional Day-Ahead Markets



## Cross-Regional Roadmaps

- CACM Target Models for an efficient IEM
- The Agency and NRAs have defined 4 Roadmaps, endorsed by the FF, to pursue the 2014 IEM goal

### Day-Ahead

#### **SINGLE EU PRICE COUPLING**

To optimise the use of existing day-ahead cross-border capacities at EU level

### Intra-day

#### **SINGLE EU CONTINUOUS TRADING**

with the possibility of auctions

### Long-Term

#### **SINGLE EU ALLOCATION PLATFORM**

one-stop shop for allocating long-term transmission rights

### Capacity Calculation

#### **FLOW-BASED METHOD**

for improving network security and the level of available capacity

## CACM Roadmaps: State of Play

### Single EU DA Price Coupling

- Go-live of NWE pilot project expected in Nov. 2013 (75% of the EU electr. market)
- Extension to other regions in 2014: SWE, CSE and finally CEE

### Single EU ID Contin. Trading

- Significant delay due to PXs' disagreement
- ACER informal opinion on the preferred IT provider
- 2014 delivery requires political pressure

### Single EU LT Allocat. Platform

- "Wish list" agreed in 2013
- MoU between CASC and CAO (75% of the EU borders with LT TRs)
- Common auction rules expected by 2014

### Flow-Based Cap. Calc. Method

- CWE pilot project expected to start 2014
- The CEE region to follow (ad-hoc solutions may be required to address the loop flows phenomenon)

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## REMIT at a Glance

### Integrity

Explicit prohibitions of abusive practices (market manipulation, attempted market manipulation and insider trading) in wholesale energy markets

### Transparency

Obligations for market participants to disclose inside information

### Monitoring

A new, sector-specific, comprehensive and effective monitoring framework for wholesale energy markets

### Cooperation

Close cooperation and coordination between ACER (EU-wide monitoring) and NRAs (national monitoring, investigation and enforcement)



## REMIT: Integrity

**Market  
Manipulation**

**PROHIBITED**

**False/Misleading Transactions**

**Price Positioning**

**Transactions involving Fictitious  
Devices/Deception**

**Attempted Market  
Manipulation**

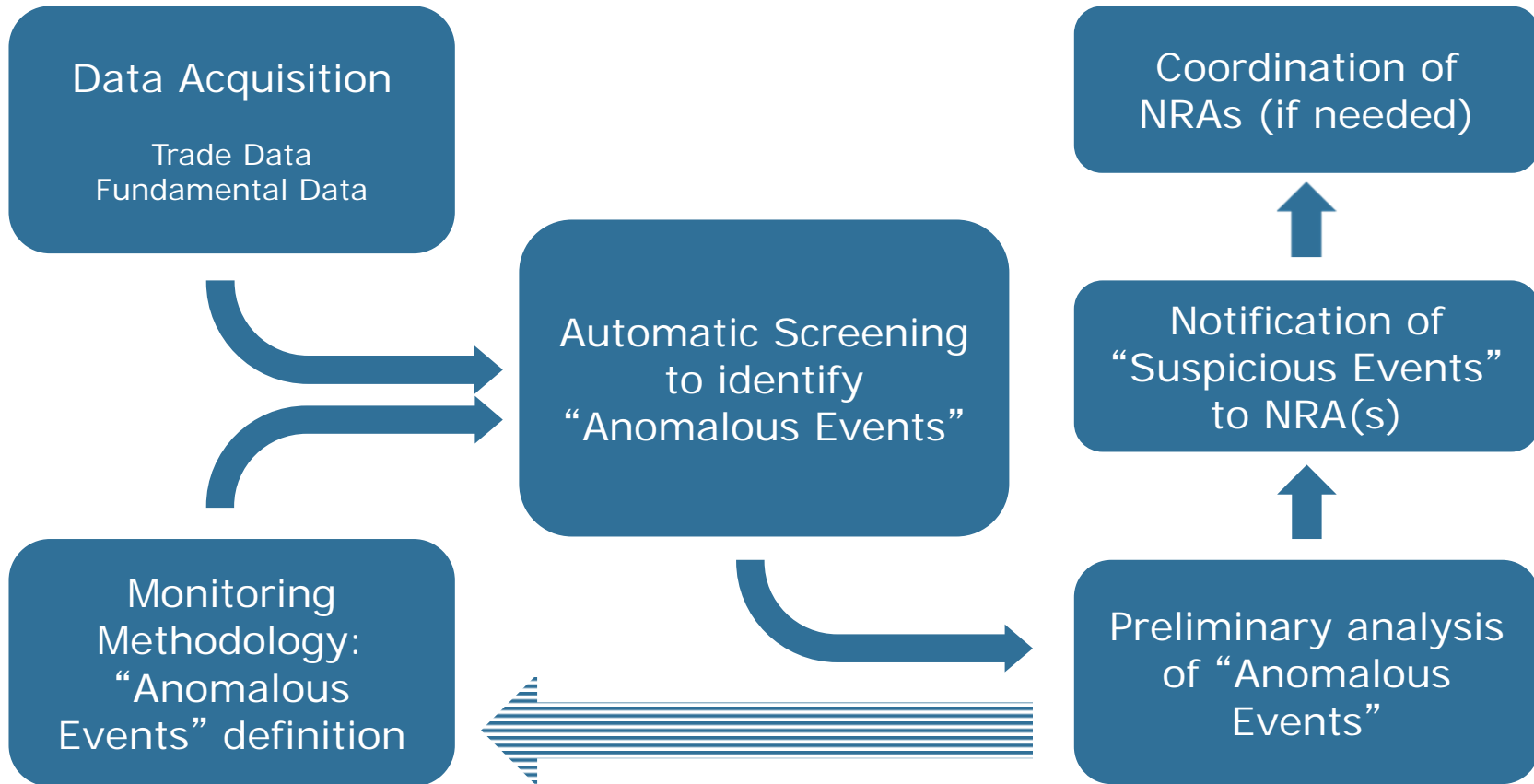
**PROHIBITED**

**Dissemination of False or  
Misleading Information**

**Trading on Inside Information**

**PROHIBITED**

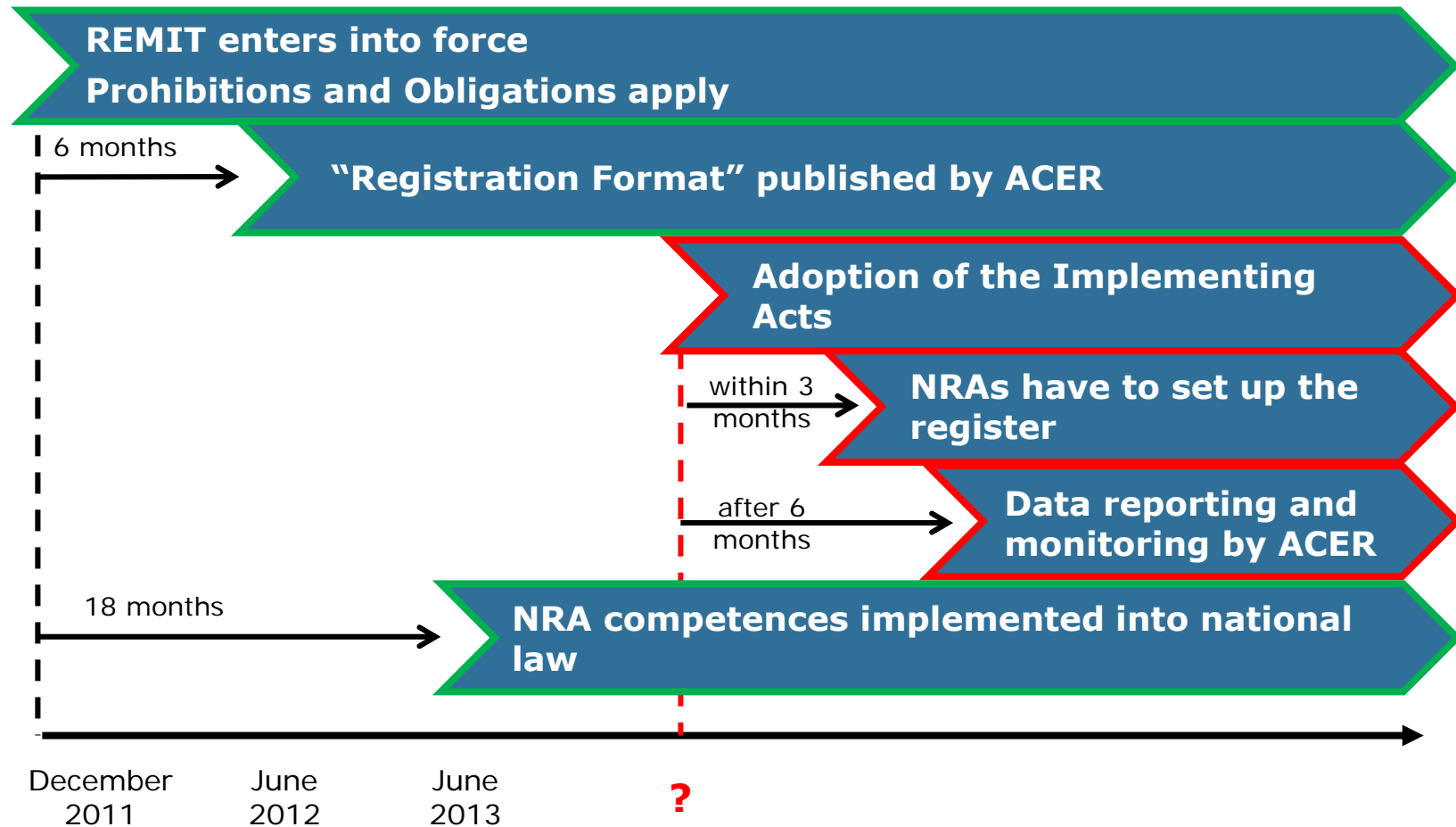
## ACER's approach to market monitoring



# REMIT Implementation Timeline (1)

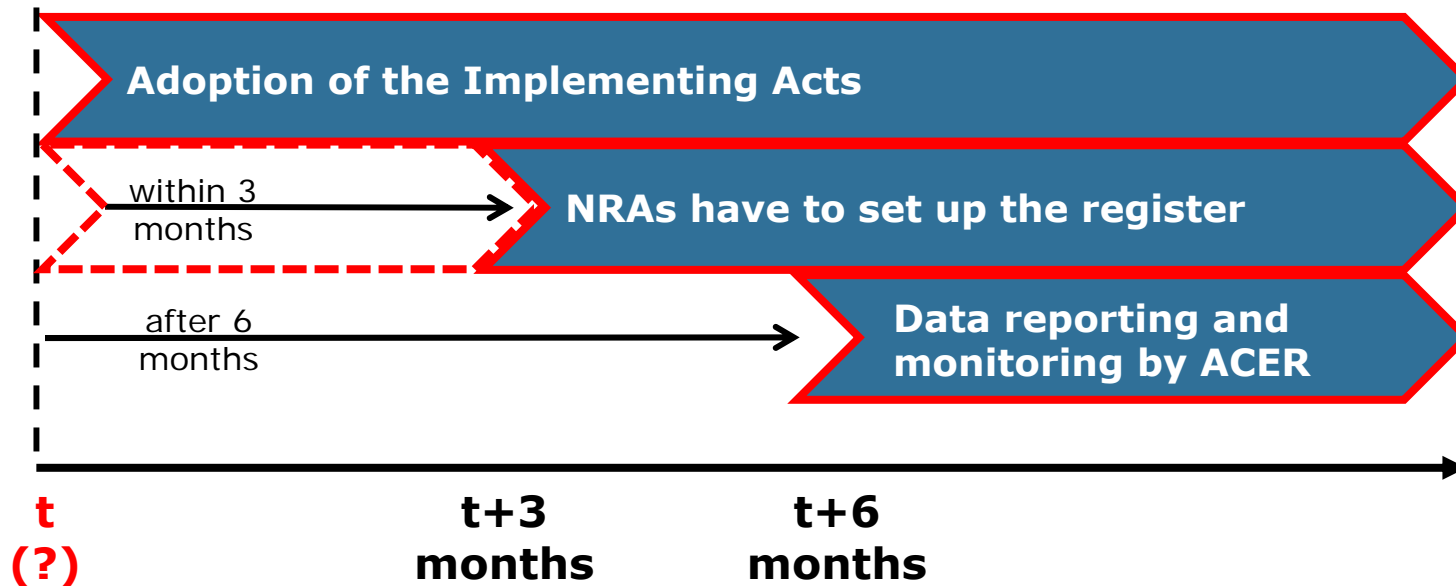
■ REMIT dependent

■ Implementing Acts dependent



## REMIT Implementation Timeline (2)

- Implementing Acts dependent



## REMIT and the Financial Regulation Review

- Article 1 of REMIT: *“This Regulation applies to trading in wholesale energy products. Articles 3 [Prohibition of insider trading] and 5 [Prohibition of market manipulation] of this Regulation shall not apply to wholesale energy products which are financial instruments and to which Article 9 of Directive 2003/6/EC [Market Abuse Directive] applies.”*
- Market Abuse in Wholesale Energy Markets may fall under the scope of the Market Abuse Directive (MAD) or REMIT
- As the scope of MAD changes, so will the scope of REMIT

## REMIT and the MAD/MAR, MiFID/MiFIR Review

### Current Scope of REMIT and MAD

Transactions	Venue	Under the scope of	
		MAD	REMIT
Financial Instruments (e.g. Futures, Forwards Options, Swaps)	Regulated Markets	✓	
	MTFs		✓
	OTC		✓
Spot transactions	Exchanges, MTFs, OTC		✓
Physically-settled Forward transactions	MTFs		✓
	OTC		✓
Other transactions	OTC		✓

## REMIT and the MAD/MAR, MiFID/MiFIR Review

### Future Scope of REMIT and MAD

Transactions	Venue	Under the scope of	
		MAD	REMIT
<b>Financial Instruments (e.g. Futures, Forwards Options, Swaps)</b>	<b>Regulated Markets</b>	✓	
	<b>MTFs</b>	✓	✓
	<b>OTFs ?</b>	✓	
	<b>OTC</b>		✓
<b>Spot transactions</b>	<b>Exchanges, MTFs, OTC</b>		✓
<b>Physically-settled Forward transactions</b>	<b>MTFs</b>	✓?	✓?
	<b>OTFs ?</b>	✓?	✓?
	<b>OTC</b>		✓
<b>Other transactions</b>	<b>OTC</b>		✓

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## Main Themes in ACER 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

**Thank you for your attention!**

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