

# **Wholesale Energy Market Monitoring in Practice – REMIT role and challenges for NRAs**

**José Braz – ACER/CEER MIT WGs chair; ERSE Executive Board member**

**10<sup>th</sup> EU-US Energy Regulators Roundtable**

**The Hague – 8<sup>th</sup> April, 2013**

- **Initial conditions**
- **The challenge**
- **Work in progress**
- **Ultimate goal**
- **Questions for debate**

# Initial conditions

- 27 markets; 1 regulation (REMIT)
- Different market realities:
  - Size: Malta pop. 400 thou.; Germany 81 mill.
  - Complexity: 5 MS have 1 DSO; 8 have >100
  - Maturity: dominant incumbent vs competition
  - Geophysical constraints (islands)
  - Commercial practices (complex bids, portfolio bids)

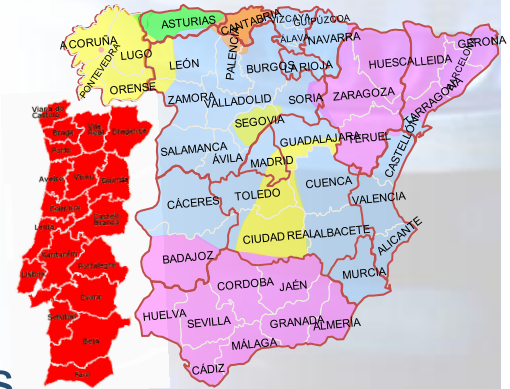
 Different market monitoring practices

# The challenge

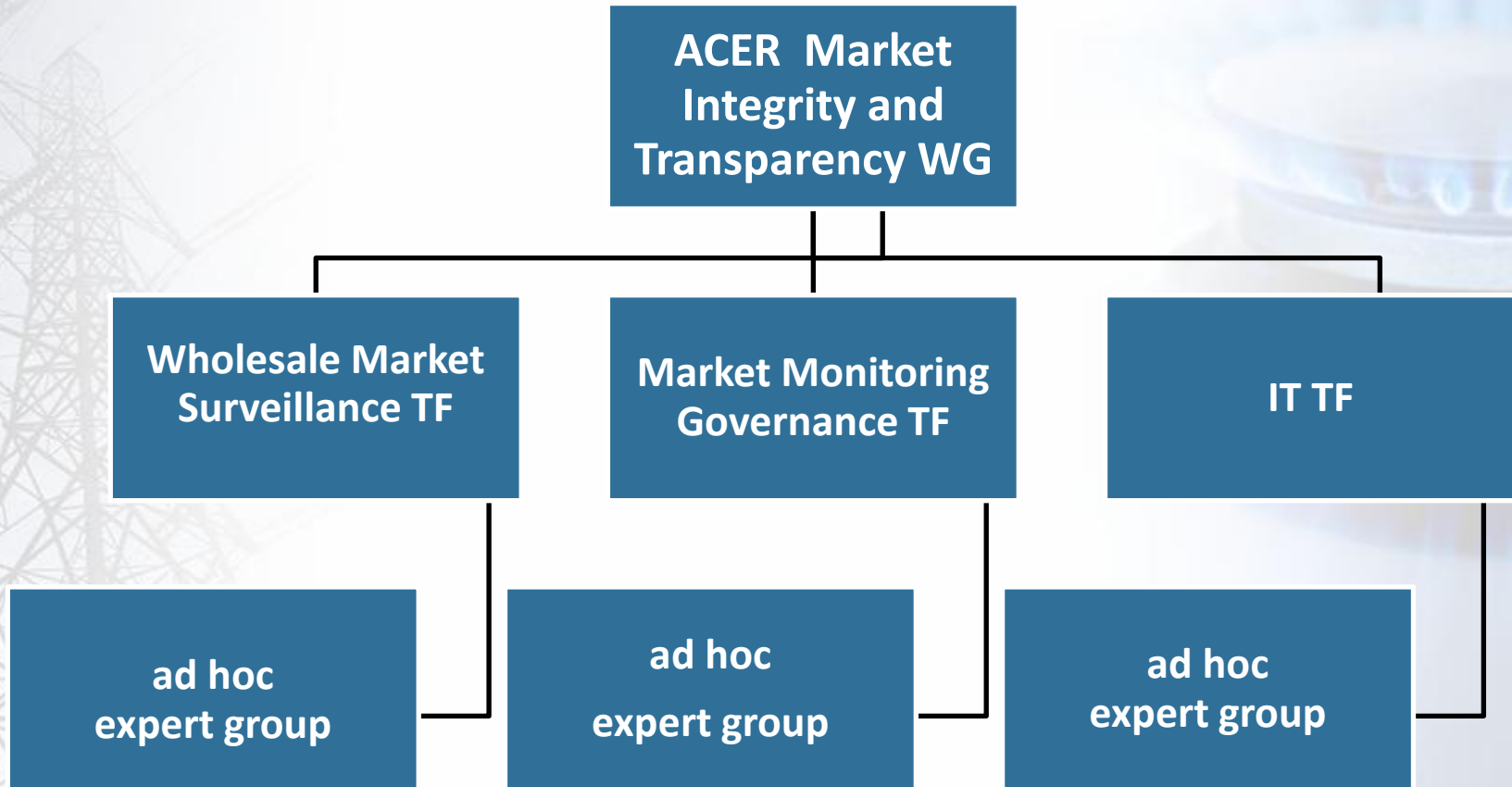
- Each NRA has a different starting point and a different path to follow toward a common goal
- Resource constraints abound (funds for ACER central data system; staff at NRAs, ACER)
- What is legal separation of responsibilities (MiFID/REMIT)?
- How to define “market participant” (for registration by NRAs)?

# Work in progress

- At ACER level: dedicated unit; MIT WG; 3 TFs; 3 expert groups
- At NRA level, some relevant experience:
  - Portugal and Spain have a joint Iberian wholesale market (MIBEL), with joint assessment of market conditions, both from energy regulators' and securities commissions viewpoints (4 regulators comprise Regulators Council, with regular meetings and joint work and reports);
  - ERSE has an autonomous system, SIMER, for monitoring Portuguese operators as well as an inside information reporting system (“relevant facts” reporting) centralised at TSO

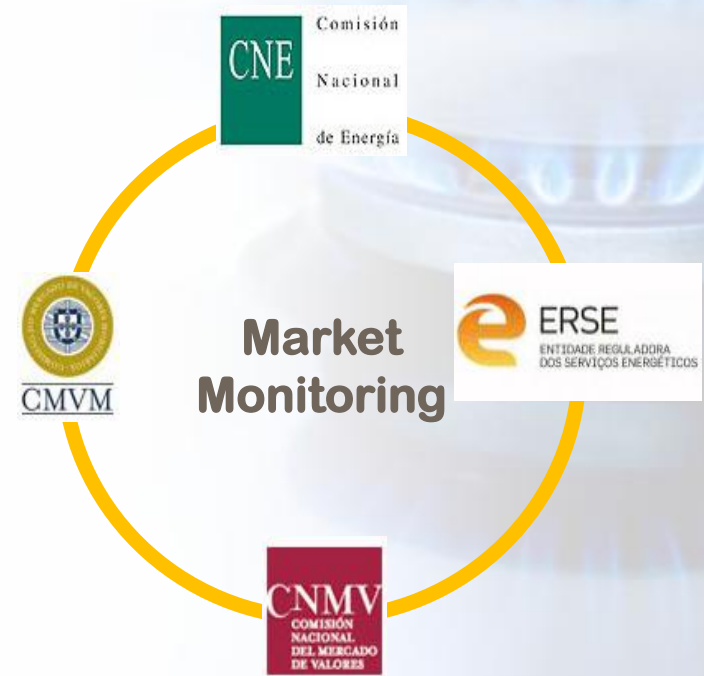


# Work in progress

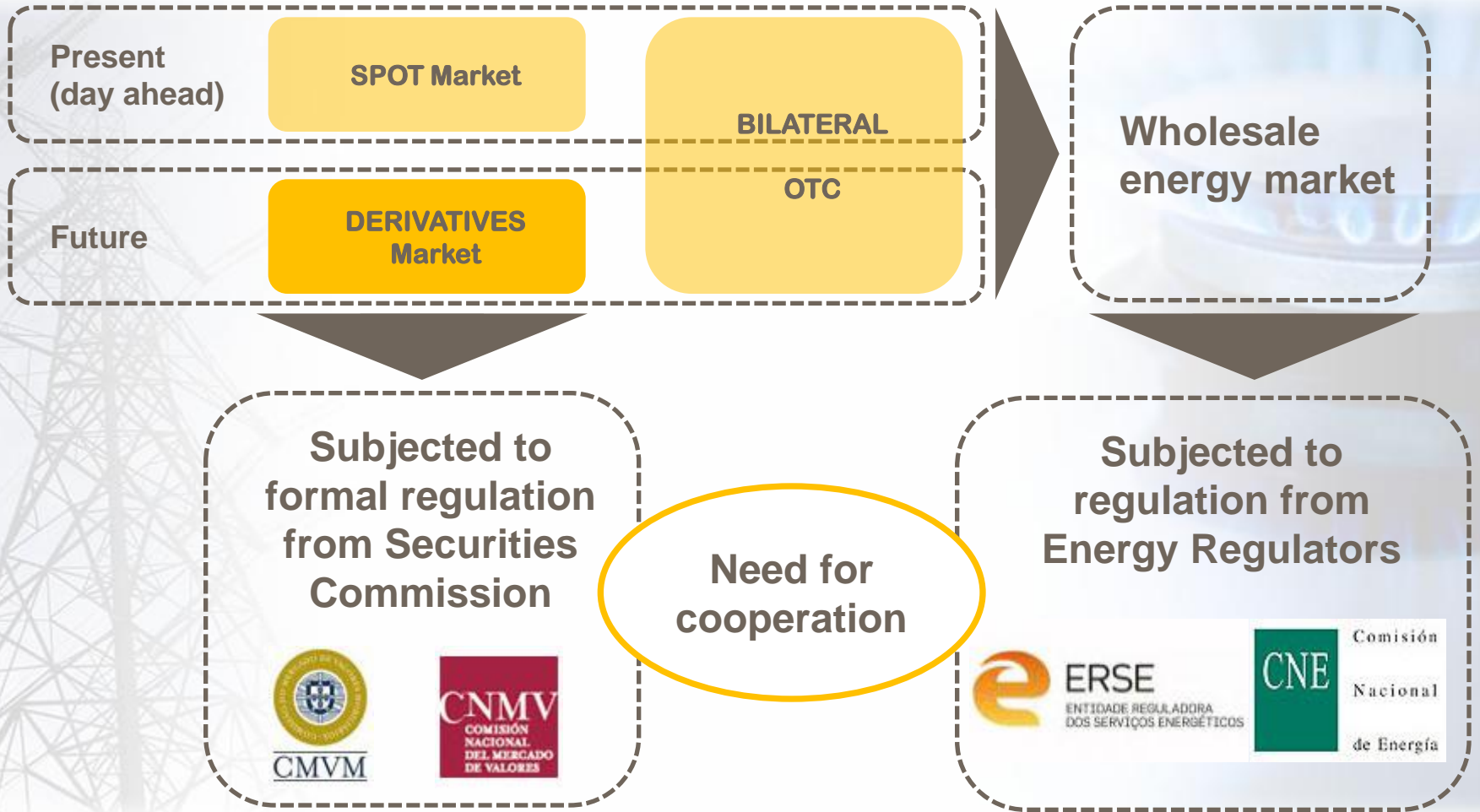


# Work in progress

- **Two countries and one market**
- Market integration and market splitting mechanism requires **joint expertise** from all national authorities
  - **Market players' focus** is no longer national but structural conditions are not yet fully harmonized
  - Increasing **product sophistication** (financial products, OTC, price hedging) requires **cooperation** with financial market regulators
  - Contribution to **structural arrangements (harmonisation) and monitoring market results**



# MIBEL implementation (since 2004)





## SIMER – ERSE Information System for Wholesale Market Analysis in Portugal

### Wholesale market supervision

- System comprises **data from**
  - **Spot** market (**ERSE/CNE** collaboration in data interchange)
  - **Derivatives** market (**ERSE/CMVM** collaboration in data interchange)
  - **Primary energy** markets (data from market sources)
  - **Interconnections** (data from TSO)
  
- System with KPI – **key performance indicators** to assess
  - **Demand** and **supply** structure
  - Price **bids**
  - **Interconnection** capacity allocation
  
- The set of indicators **enable**
  - **Reporting**
  - Medium term **analysis of trends**
  - **Detection and follow-up** of suspicious trades


# Ultimate goal

## Get rid of market abuse, not the market!

(monitoring should be **effective** yet **light**;  
it should be **pro-market**, ensuring integrity  
without overloading participants with costly  
bureaucratic and financial burdens that can  
drive away smaller players –  
beware the \$500 toilet-seat!)

# Questions for debate

- How best to harmonise monitoring in very different EU national markets – (how are energy markets monitored in very different US states)?
- How can we ensure that MM is pro-market, with benefits exceeding costs?

The background of the slide is a light blue gradient. On the left side, there is a faint, semi-transparent image of a high-voltage electrical transmission tower. On the right side, there is a faint, semi-transparent image of a gas stove burner with blue flames.

Obrigado!  
Thank you!  
Bedankt!