



● Market Integrity and Transparency

Tailor-made rules for wholesale trading

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- Outline

- Problem recognition
- Elements of a market integrity framework
- The way forward

● Problem recognition

- End-consumer prices reflect wholesale price levels
 - » Regulatory interest in ensuring that traded energy markets remain prudent and prices reflect fundamentals → public trust is essential!
- Wholesale markets increasingly becoming regional
 - » regulatory supervision remains national
- Transactions are executed in different ways
 - » Regulatory oversight is fragmented
 - OTC vs. Exchanges
 - Regulated vs. unregulated marketplace



Increasing need for a dedicated market integrity and transparency framework

● What should be in place?

- Potential elements of a transparency and market integrity regime:

- » **Transparency measures**

- Focus on relevant supply/demand data → ERGEG
 - What is already there, what is still missing?
- Transactional data → EC
 - What does the market need, what the public and what regulators?

- » **Definition of insider trading and market manipulation** → EC

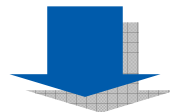
- Is relevant financial regulation applicable here?

- » **Regulatory monitoring and enforcement** → EC

- Who is best placed to do the job?
- Data availability – record keeping, transaction reporting

● Information on supply/demand data

- EU-level obligations → Regulations + Annexes
 - » transmission capacity availability and usage
 - » Forecast generation & demand
 - » Planned generation outages
 - » Realised values for all forecasts
 - » Storage and LNG data (stock + flow)
- Provision of data on commercial basis
 - » E.g. Genscape – online generation data



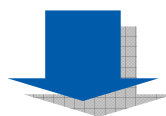
ERGEG to advise on additional data items

● Who needs more transactional data?

- Market participants seem to be satisfied
 - » Traders see what goes through brokers' screens
- Informed general public would probably welcome more info
 - » Public disclosure of anonymous transactions by operators of marketplaces
 - » Aggregated information on trades

● Market abuse & energy markets

- Current financial regulation (MiFID, MAD) insufficient to properly address market integrity in energy markets



- Tailor made rules to cover all relevant wholesale electricity and gas transactions
 - » Definition of market conduct rules (insider information, market manipulation)
- MiFID & MAD review ongoing

● Monitoring of traded markets

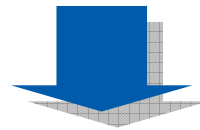
- No comprehensive transaction coverage
 - » Most of the transactions not reported to regulators
- Regulators only see a 'slice' of the market
 - » No single market monitor capable of capturing the entirety of traded energy markets (commodity + derivatives)



- EU level market monitor (i.e. ACER) to regularly screen transactions
 - » Centralised transaction reporting
 - » Sufficient commodity coverage (electricity, gas, carbon, transmission rights, etc.)
 - » Holistic view of markets
 - » Provide data to NRAs → replacing national reporting schemes

● Enforcement of market conduct rules

- National regulators are 'closest' to the market
- Energy regulators have a natural interest to ensure compliance with sector specific rules
- Current regulatory competences have to be respected



- Tailor made regime to ensure that no regulatory overlaps created and no gaps remain
- ACER could issue guidance to regulators
 - » Consistent application of rules
 - » Level playing field for multinational traders

● The way forward

- Publication of a non-paper in December 2009
 - » Stakeholder views until end of February 2010
- Public consultation online since yesterday
 - » Stakeholder submissions until 23 July 2010
- Commission is evaluating design options
 - » Dedicated workshops
 - » Consultant advice
 - » Impact Assessment
- Draft legal proposal → Autumn 2010

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