

# Citizens' summary

## REMIT – EU Regulation on wholesale energy market integrity and transparency

### “Major progress achieved in 2013 in implementing REMIT”, reveals second REMIT Annual Report

#### WHAT'S NEW?

- As REMIT covers legislative and technical aspects of which there is still little experience worldwide, its implementation poses a formidable challenge for the Agency, both because of its complexity and in terms of required resources. The second REMIT Annual Report, issued on 10 June 2014, presents the activities performed by the Agency in 2013 in developing the methods and procedures for monitoring wholesale energy markets and in deploying the required IT systems so that it could go live in early 2015.
- The Report reveals that 13 cases of potential breaches of the provisions in REMIT were already identified by the Agency in 2013, despite the fact that the implementation of the regulation was still in a preliminary phase. In some instances, potential breaches of several REMIT provisions were considered. By the end of the year, two of these cases were closed while 11 were still being investigated.

#### WHAT'S THE ISSUE?

- The main objective of REMIT, which entered into force in December 2011, is to prevent market manipulation and trading based on insider information which distort wholesale energy prices. These distortions often result in households and businesses paying more for their energy.
- REMIT envisages a new sector-specific wholesale energy market monitoring framework, to detect and prevent market abuse, which is unprecedented for its geographical scope and the fact of targeting individual transactions. The Agency plays a key role by collecting trading data and data on production, storage, consumption and transmission of electricity or gas. It also performs an initial assessment of these data before notifying any suspicious event to National energy Regulatory Authorities for investigation and enforcement. The new monitoring framework is expected to be fully implemented in the first half of 2015, following the adoption of the relevant implementing acts by the European Commission.
- Once data collection starts, the Agency will have the information available to detect and deter market manipulation and trading based on inside information, ensuring market integrity and transparency for the benefit of European energy consumers and citizens. The way in which the Agency will approach its mandate under REMIT will depend on the available resources.
- The challenging work of implementing REMIT involves National Regulatory Authorities – which will be responsible for investigations and enforcement and may also monitor energy markets at national levels – and a large number of energy market participants and other stakeholders.

#### WHO WILL BENEFIT, AND HOW?

- All citizens will benefit from fair and competitive gas and electricity markets as a result of transparent trading. In fact, based on similar experience in the US, hundreds of millions of euros could be saved. Market integrity and transparency shall ensure that prices on citizens' energy bills reflect a fair and competitive interplay between supply and demand.

- Market participants will be reassured that they are trading on an equal footing. The legal framework will equally apply across all Member States, including to cross-border transactions.

#### **WHAT EXACTLY IS THE ROLE OF THE AGENCY IN THE OPERATIONAL/MONITORING PART OF REMIT?**

- The Agency will collect information on wholesale energy transactions from market participants across the Union. With the use of sophisticated software and expertise it should aim at providing the first analysis of market transactions, which may lead to identification of suspicious events. It will refer such cases to the competent National Regulatory Authorities who will investigate the matter further and, if required, impose sanctions.

#### **WHY SHOULD THIS MATTER TO ME AS A CITIZEN?**

As a citizen I want to make sure that I am not paying unfair energy prices as a result of market manipulation or insider trading. I also want to be confident that the Agency and National Regulatory Authorities have the resources required to monitor wholesale energy markets effectively to detect, prevent and punish market abuse.