ACER Tasks and Challenges

Alberto Pototschnig
Director, ACER

2011 ElCom Forum
Switzerland’s role
in the European electricity market
Fribourg, 18 November 2011
EU Energy Policy Objectives

- Competitiveness
  - Third Energy Package

- Sustainability
  - Energy and Climate Change Package

- Security of Supply
  - Third Package Gas SoS Regulation
The internal [energy] market should be completed by 2014 so as to allow gas and electricity to flow freely.

No EU Member State should remain isolated from the European gas and electricity networks after 2015.
Towards the Single Energy Market

First Package
“Harmonisation”

- Dir 96/92/EC
- Dir 98/30/EC

1996 1998

Second Package
“Harmonisation and Market Integration”

- Dir 2003/54/EC
- Reg 1228/2003
- Dir 2005/55/EC
- Reg 1775/2005

2003 2005

Third Package
“EU-wide Institutional & Regul. Framework”

- Dir 2009/72/EC
- Reg 714/2009
- Dir 2009/73/EC
- Reg 715/2009
- Reg 713/2009

2009
Lessons from the Implementation of the Second Energy Package

- Vertical integration and horizontal concentration
- Insufficient EU-wide market integration
  - Lack of TSO Cooperation
  - Regulatory gap
- Insufficient transparency
- NRA powers and competences vary
The Third Energy Package at a Glance

- EU-wide Network Development Plans (non-binding)
- EU-wide binding rules (Network Codes)
- Greater separation of Transmission and System Operation activities
- Stronger and more independent NRAs (with greater EU focus)
- EU-wide cooperation: ACER and ENTSOs
ACER Mission
(Regulation (EC) No 713/2009)

“The purpose of the Agency shall be to assist the [NRAs] in exercising, at Community level, the regulatory tasks performed in the Member States and, where necessary, to coordinate their action”.

Therefore, ACER

- is NOT a European Energy Regulator
- … but plays a CENTRAL ROLE in the new institutional framework introduced by the 3rd Legislative Package on Energy
ACER in the 3rd Package Framework
Participation of Third Countries in ACER
(Article 31, Regulation (EC) No 713/2009)

ACER shall be open to the participation of third countries
» which have concluded agreements with the Community
» whereby they have adopted and are applying Community law in the field of energy and, if relevant, in the fields of environment and competition

Under the relevant provisions of those agreements, arrangements shall be made specifying, in particular:
» the nature, scope and procedural aspects of the involvement of those countries in the work of ACER
» including provisions relating to financial contributions and to staff
Third Energy Package

Regulation (EU) No 838/2010
(on the Inter-TSO Compensation Mechanism)

Regulation on Wholesale Energy Market Integrity and Transparency (REMIT)
(adopted by the European Council on 10 October 2011)

Proposed Regulation on guidelines for trans-European energy infrastructure
(tabled by the European Commission on 19 October 2011)
## ACER – Relevant EU Legislation

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ACER’s Activities under the 3rd Package (1)

Types of acts which ACER can adopt

- Opinions and recommendations
  - TSOs
  - NRAs
  - European Parliament
  - European Council
  - European Commission
- Individual decisions in specific cases
  (residual power)
ACER’s Activities under the 3\textsuperscript{rd} Package (2)

<table>
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<td><strong>NRA Support and Coordination</strong></td>
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<td>Regional Coordination</td>
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<td><strong>Market Monitoring</strong></td>
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<td>Access (incl. RES), Retail Prices and Consumers’ Rights</td>
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<td>Wholesale Trading (REMIT)</td>
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Developing Framework Guidelines and Network Codes

- EC defines Priority Areas
- ACER develops Framework Guidelines (FG) and submits them to the Commission
- ENTSO develops Network Codes (NC)
- ACER checks compliance of NC with FG
- ACER recommends NC to EC for adoption
- EC submits NC to Comitology
- EC adopts NC which becomes binding
Framework Guidelines and Network Codes

(a) network security and reliability rules
(b) network connection rules
(c) third-party access rules
(d) data exchange and settlement rules
(e) interoperability rules
(f) operational procedures in an emergency
(g) capacity-allocation and congestion-management rules
(h) rules for trading related to technical and operational provision of network access services and system balancing
(i) transparency rules
(j) balancing rules
(k) rules regarding harmonised transmission tariff structures
(l) energy efficiency regarding electricity networks.
ACER Support to NRAs

- **Promotion of Cooperation**
  (even beyond the areas of ACER remit)
- **Sharing of Best Practices**
- **Interpretation of Guidelines**
- **Peer Review**
- **Specific Decisions**
ACER Individual Decisions for cross-border infrastructure

Decisions on Terms and Conditions for Access to and Operational Security of Cross-border Infrastructure

Decisions on TPA/Unbundling Exemptions

ACER decides if:

- The concerned NRAs fail to reach an agreement, or
- Jointly requested by the concerned NRAs
ACER Work Programme for 2011

- Opinion on ENTSO Statutes, List of Members and Rules of Procedures
- Opinion on ENTSO Work Programme
- Opinion on ENTSO TYNDP
- Framework Guidelines
  - Electricity
    - Capacity allocation and congestion management
    - Grid connection
    - System Operation
    - Balancing
  - Gas
    - Capacity allocation mechanisms
    - Balancing rules
    - Harmonised transmission tariff structures (*)
    - Interoperability
- ITC Compensation
- Monitoring of the Internal Market
Recent activities: Electricity Sector 2011

- **FG on Grid Connections**
  - 3 Mar
  - 2 May
  - 20 Jul

- **Opinion on ENTSO-E Statutes, List of Members and Rules of Procedure**
  - T.C.
  - 5 Apr
  - 5 May

- **FG on Capacity Allocation and Congestion Management in Electricity**
  - 11 Apr
  - 10 Jun
  - 29 Jul

- **FG on System Operations**
  - 15 Jul
  - 15 Sep

- **FG on Balancing**
  - SCOPING
Recent activities: Gas Sector

2011

March
- FG on Capacity Allocation Mechanisms for the European Gas Transmission Network
  - 3 Mar
  - 2 May

April
- T.C.
  - 5 Apr

May
- PUBLIC CONSULT.
  - 5 May

June
- PUBLIC CONSULT.
  - 12 Apr
  - 12 Jun

July
- 18 Oct

August
- 3 Aug

September
- 16 Sept

October
- SCOPING

Opinion on ENTSO-G Statutes, List of Members and Rules of Procedure

FG on Gas Balancing in Transmission Systems

Opinion on ENTSO-G EU-wide Ten-Year Development Plan

FG on Interoperability Rules

FG on Rules regarding Harmonised Transmission Tariff Structures
Framework Guidelines planned for 2012 according to ACER’s Work Programme

- Electricity
  - Third Party Access
- Gas
  - Data Exchange and Settlement Rules
  - Rules for Trading
Achieving the Internal Electricity Market by 2014 will only be possible by proceeding in parallel.

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
- FG/NC on Third Party Access

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
Towards the Internal Electricity Market
The Integration of the Day-Ahead Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Baltic EE, LT, LV</th>
<th>Nordic FI, SE, NO, DK</th>
<th>PL</th>
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Volume Coupling
ACER – Relevant EU Legislation

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Directives 2009/72/EC and 2009/73/EC and

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### REMIT: a new challenge

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<tr>
<td><strong>Sector-specific, comprehensive monitoring framework for wholesale energy markets to detect and deter market abuse</strong></td>
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<td><strong>To promote confidence of consumers and other market participants in the integrity of electricity and gas markets</strong></td>
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<td><strong>ACER “is best placed to carry out such monitoring as it has both a Union-wide view of electricity and gas markets, and the necessary expertise in the operation of electricity and gas markets and systems in the Union” (recital 17)</strong></td>
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<td><strong>Close cooperation and coordination between ACER and NRAs</strong></td>
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REMİT at a Glance

- Registration of Wholesale Energy Markets (WEM): participants with NRAs
- Rules prohibiting abusive practices affecting WEM:
  - Trading based on inside information (obligation to publish inside information)
  - Market manipulation – actual or attempted
- Definition of inside information, market manipulation and attempt to manipulate markets (updated by the Commission through “Delegated Acts”)
- Monitoring of WEM by ACER in cooperation with NRAs
- Power of Investigations rests with NRAs
- Enforcement of Prohibitions by NRAs
Scope of ACER Market Monitoring under REMIT

- Wholesale Energy Products:
  - contracts for the supply of natural gas or electricity with delivery in the EU
  - derivatives relating to natural gas or electricity produced, traded or delivered in the EU
  - contracts relating to the transportation of natural gas or electricity in the EU
  - derivatives relating to the transportation of natural gas or electricity in the EU

- Contracts for the supply and distribution of natural gas or electricity to and for the use of final customers consuming <600GWh/year are **not** wholesale energy products
ACER Approach to Market Monitoring

Data Acquisition
- Trade Data
- Fundamental Data
- Other Data

Monitoring Methodology:
- “Anomalous Events” definition

Automatic Screening to identify
- “Anomalous Events”

Notification of “Suspicious Events” to NRA(s)

Preliminary Analysis of “Anomalous Events”

NRAs Coordination (if needed)
Thank you for your attention

www.acer.europa.eu