

Report on the academic cooperation of the Director with the Florence School of Regulation during 2012 (in line with para 7. of the AB Decision No 34-2011 granting permission to the Director to engage in academic cooperation with FSR)

During 2012, my involvement with the Florence School of Regulation (FSR) has included:

1. Conceiving, planning, organising and contributing to the following one-day Workshops:
 - a) TPA and Unbundling Exemptions: What role should they play in promoting an integrated energy market?, on 27 January 2012
 - b) Energy Efficiency and the Internal Energy Market, on 30 March 2012
 - c) A Future-proof Energy Market, on 12 October 2012
 - d) REMIT: A New Market Surveillance Framework for the EU Energy Market, on 23 November 2012
2. Contributing to the Executive Seminar on European incentive regulation for TSOs: review and challenges, on 20 January 2012
3. Lecturing at the following training courses:
 - a) FSR Summer Course on Regulation of Energy Utility, 25 – 29 June 2012:
Module 1 - Theory and principles of regulation and Models of regulation, on 25 June 2012
 - b) FSR Residential and e-Learning Course on Regulation of Energy Utility - First Residential Week, 8 – 12 October 2012: Module 6 - Electricity markets. The wholesale market, on 10 October 2012
4. Participating and contributing to a Panel, in the FSR State of the Union Event, on 9 – 10 May 2012;
5. Delivering the Concluding Remarks at the FSR First Annual Brussels Conference, on 13 November 2012;
6. Delivering the Keynote Speech at the FSR Energy Transparency Award Ceremony on 13 November 2013.

In what follows a brief description of the main events to which I have contributed is provided. The full programmes of the Workshops which I organised are presented in the annex.

Regulatory Workshops

TPA and Unbundling Exemptions: What role should they play in promoting an integrated energy market? – 27 January 2012

The Workshop was intended to review the way in which exemption applications have been so far dealt with by National Regulatory Authorities and the European Commission, with particular focus on the way in which the conditions for exemptions have been interpreted and applied. On this basis, the Workshop also aimed to reflect on the role that exemptions can play in promoting the integration of the Internal Energy Market.

I chaired Session II of the Workshop on “The role of TPA and unbundling exemptions in promoting the IEM”.

Energy Efficiency and the Internal Energy Market - 30 March 2012

The Workshop considered the regulatory implications for the energy sector of the proposed Directive on energy efficiency, focusing in particular on:

- the experience with national “White Certificate” schemes to see whether it is possible to identify best practices which are able to deliver the most effective results at minimum administrative costs and burden;
- demand-side management and demand response in the electricity and gas sector to assess their potential within the framework of a competitive Internal Energy Market.

I chaired Session I of the Workshop on “White Certificate schemes: available experience and best practices”.

A Future-proof Energy Market – 12 October 2012

The Workshop aimed at assessing the impact of the greater penetration of renewable-based generation on the electricity and gas market design. In particular, it considered whether the Electricity Target Model needs to be enhanced with the addition of a capacity/capability support mechanism, and what degree of EU-wide harmonisation is required. It also considered to what extent the Gas Target Model needs to be further developed to provide the required short-term flexibility.

I chaired Session I of the Workshop on “The penetration of Renewables-based generation in the European electricity market”.

REMIT: A New Market Surveillance Framework for the EU Energy Market - 23 November 2012

The Workshop aimed at addressing two specific aspects of the implementation of wholesale energy market monitoring under REMIT:

- the available experience in the methodologies for detecting market abuse in wholesale energy markets, including the experience in contiguous sectors where relevant.
- the most effective model for cooperation and the split of responsibilities between the Agency, National Regulatory Authorities and persons professionally arranging transactions, taking into account their respective comparative advantages and the resources that they will have available (access to data, experience and expertise, financial resources).

I chaired Session I of the Workshop on “Monitoring energy markets and detecting market abuse”.

Executive Seminar

European incentive regulation for TSOs: review and challenges – 20 January 2012

The Seminar aimed at reviewing the current situation in terms of design of incentive regulation mechanisms, and in particular the principles of incentive regulation applied so far in Europe and the way in which their implementation is perceived by National Regulatory Authorities and Transmission System Operators. On the basis of this review, the Seminar also aimed at identifying the limits of the current model in a European framework evolving strongly towards energy security, and how this may require a review of the objectives of incentive regulation. Finally, the Seminar considered the various tools available to regulate the different TSO’s activities and how these tools are implemented in practice across Europe.

I chaired the morning session of the Seminar, covering:

- Topic 1: Share the current situation in terms of design of incentive regulation mechanisms: The principles of incentive regulation applied so far in Europe and how it is experienced by regulators, by TSOs:
- Topic 3: What regulatory tools to regulate the different tasks of a TSO?

FSR State of the Union Conference

The State of the Union conference took place in Palazzo Vecchio (Florence City Hall) on 9 May, the anniversary of the Schuman Declaration, and continued on 10 May. The conference aimed at contributing to the analysis of the European Union’s current situation and at debating EU policies and the functioning of EU institutions. It brought together leading academics, policy-makers and opinion leaders. On 9 May there were two sessions:

'Economic Governance for Europe' and 'The EU in a New World'. On 10 May the focus area was 'EU Energy Policy'. In this session there were four panels. Panel 1 on Achieving the Internal Market, considered the EU target for achieving its Internal Energy Market by 2014, focusing on the following questions: Why did it take so long? What does "achieving" mean? Who will achieve what? And also, what can EU citizens expect from such "achievement"? Lower prices? More stable prices? A better supply? A fairer equalisation of energy conditions across Europe? This panel was chaired by Claude Mandil, Former Director of the International Energy Agency and included two speakers: Philip Lowe, Director-General, European Commission – DG Energy; and

David Newbery, Emeritus Professor of Economics, University of Cambridge. The ensuing panel discussion included: Inge Bernaerts, Head of Unit, European Commission – DG Energy; Guido Bortoni, President, Autorità per l'Energia Elettrica e il Gas (AEEG, the Italian NRA); Daniel Dobbeni, CEO, Elia; President, ENTSO-E; Juan Perez, Director - Strategy & Business Development, EPEX Spot; Alberto Pototschnig, Director, ACER; and Pippo Ranci, Professor of Financial Ethics, Cattolica University.

FSR Energy Transparency Award Ceremony

The FSR has organised in 2012 the third edition of the Energy Transparency Award. The Energy Transparency Award is an annual competition which distinguishes a company or institution each year for its particular contribution to the transparency of energy markets in Europe. The award is managed by the FSR.

The winner is selected by an international independent selection committee. In 2012 the selection committee was composed by Jean-Michel Glachant (Director FSR), Peter Kaderjak (former Chairman ERRA) and Jan Moen (former Norwegian Energy Regulator). The president is Jorge Vasconcelos, chairman of NEWES.

At the Energy Transparency Award Ceremony on 13 November 2012, EEX was announced as the 2012 winner of the Award.

Effort devoted to the FSR

Over the last twelve months, my involvement with the FSR, as described above, and including the participation in the events, has required a dedication of 25 days. This dedication has occurred mainly outside working hours (in the evenings and over weekends), and for 8 days (totalling 60 office hours) during working hours in relation to the participation in the events.

All topics covered by the events in which I participated were very relevant for ACER and therefore there was a significant mutual benefit in my participation and contribution. In all

the Workshops and in the Executive Seminar I deliberately reserved for me the role of chairing sessions. This ensured that I steered the discussion without necessarily having to provide views which may be misunderstood as representing the Agency's position. In any case, I have always made clear, in ways appropriate to the events, that any view which I expressed were my personal ones and did not necessarily represent those of the Agency or of any of its Boards.

In no circumstance a situation of potential conflict of interest has emerged, and it would be very difficult to envisage one emerging given that the FSR is a partnership between the European University Institute (EUI) - Robert Schuman Centre for Advanced Studies (RSCAS), the Council of the European Energy Regulators (CEER) and the Independent Regulators Group (IRG). The European University Institute was established by the six founding members of then European Communities. Finally, my involvement with the FSR incurred no cost for the Agency.

Ljubljana, 5 December 2012

Alberto Pototschnig

Annex

Florence School of Regulation

**Workshop on
"TPA and Unbundling Exemptions:
What role should they play in promoting an integrated energy market?"**

Fiesole, 27 January 2012

Badia Fiesolana,

Refectory

Via dei Roccettini 9

50014 San Domenico di Fiesole

Third Party Access (TPA) to the electricity and gas networks and the separation of network operation from other electricity and gas activities have been key aspects of the liberalisation of the EU energy sector. Successive legislative Internal Energy Market (IEM) Packages have introduced increasingly stringent provisions in both areas. At the same time, exemptions for certain new infrastructures meeting specific conditions are also envisaged. The 2003 (second) IEM Package introduced exemptions from TPA requirements. The 2009 (third) IEM Package also introduced exemptions from ownership unbundling.

Exemptions can be granted to:

- new direct current electricity interconnectors; and
- new major gas infrastructure - including interconnectors, LNG and storage facilities - and significant increases of capacity in existing infrastructure and modifications of such infrastructure which enable the development of new sources of gas supply,

if they:

- a) enhance competition in electricity/gas supply or security in gas supply,
- b) are characterised by a level of investment risk which is such that the investment would not take place unless an exemption is granted,

- c) are owned by a natural or legal person which is separate, at least in terms of its legal form, from the system operators in whose systems the new infrastructure will be built,
- d) envisage charging of users of the new infrastructure;

and if the exemption is not detrimental to competition or to the effective functioning of the internal market in electricity/gas, or the efficient functioning of the regulated system to which the new infrastructure is connected.

Exemptions are granted by the National Regulatory Authorities involved and reviewed by the European Commission.

Since 2004 a number of TPA exemptions have been granted, mainly for submarine DC electricity cables (EstLink, BritNED and East-West Cable), gas pipelines (BBL, Poseidon, Nabucco, OPAL and Gazelle) and LNG terminals (three in each of Italy, the Netherlands and the United Kingdom, and one in each of France and Ireland). The Arnoldstein-Tarvisio line has so far been the only AC electricity interconnector being exempted from TPA, while Damborice has been the only gas storage obtaining a TPA exemption. As unbundling exemptions have only been introduced by the third IEM Package, there has not yet been any decision for which the review by the Commission has already been completed and only one national exemption decision has been so far notified (for the Gazelle project in Czech Republic).

The Workshop intends to review the way in which exemption applications have been so far dealt with by National Regulatory Authorities and the European Commission, with particular focus on the way in which the conditions for exemptions have been interpreted and applied. On this basis, the Workshop also aims to reflect on the role that exemptions can play in promoting the integration of the IEM.

The Workshop will be divided into two sessions. Session I will focus on a review of the available experience in exemptions. Session II will be devoted to identifying the role of exemptions in promoting the integration of the IEM and, on this basis, the way in which the conditions for exemptions should be interpreted.

Workshop Opening		
8.45 – 9.00	Welcome address	Jean-Michel Glachant, Director FSR and Chair LdP
<p>Session I – TPA Exemptions: the experience so far</p> <p>This session aims at reviewing the experience, under the Second Legislative Package, of the way in which exemption applications have been assessed and the outcome of the process.</p> <p>Chair: Heinz Hilbrecht</p>		
9.00 – 9.15	Session introduction	Session Chairman

9.15 – 10.45	<p>The case for exemptions:</p> <p>Developers’ objectives and NRAs’ decisions</p>	<p>BritNed and LNG Terminals</p> <ul style="list-style-type: none"> - Damian Bach, BritNed <p>IGI Poseidon:</p> <ul style="list-style-type: none"> - Lorenzo Meucci, Edison - Rosita Carnevalini, AEEG <p>Dunkerque LNG Terminal</p> <ul style="list-style-type: none"> - Christophe Liaud Dunkerque LNG - Guro Grøtterud, CRE <p>NorGer HVDC</p> <ul style="list-style-type: none"> - Lars Olav Askheim Stattnet - Frank-Peter Hansen, Bundesnetzagentur
10.45 – 11.10	<i>Coffee Break</i>	
11.10 – 11.40	The case for exemptions (cont’d)	
11.40 – 12.00	CRE’s DC link guidelines	Guro Grøtterud, CRE
12.10 – 12.30	General Discussion	
12.30 – 13.45	<i>Lunch Break</i>	
<p>Session II – The role of TPA and unbundling exemptions in promoting the IEM</p> <p>This session aims at identifying which role TPA and unbundling exemptions can play in promoting the integration of the IEM and, on this basis, the way in which the conditions for exemptions should be interpreted and applied</p> <p>Chair Alberto Pototschnig</p>		

13.45 – 14.45	Risk, return and competition in the IEM: TPA and unbundling exemptions	Academic roundtable Pippo Ranci, Catholic University Milan and FSR Thomas Léautier, University Toulouse 1 Michael Cuomo, Florence School of Regulation
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14.45 – 15.10	The IEM dimension	Massimo Maraziti, DG Energy, European Commission,
15.10 – 15.50	The way forward	A roundtable of NRAs reps and FSR donors following up on the outcome of the academic roundtable
15.50– 16.20	<i>General discussion</i>	
16.20 – 16.30	Conclusions	Jean-Michel Glachant



Florence School of Regulation

Workshop on "Energy Efficiency and the Internal Energy Market"

Fiesole, 30 March 2012

Villa la Fonte,

Via delle Fontanelle 10

50014 San Domenico di Fiesole

In its meeting on March 8th and 9th, 2007, the European Council approved an Action Plan, the "Energy Policy for Europe" (EPE), which establishes specific quantitative environmental targets to be achieved by 2020, including on energy efficiency, for which a 20% reduction in primary energy consumption with respect to the trend scenario was envisaged (the energy efficiency target was set as non-binding).

The 20% energy efficiency target translates into a saving of 368 million tons of oil equivalent (Mtoe) by 2020 compared to projected consumption in that year of 1842 Mtoe. According to the Commission's most recent projections, which take into account measures implemented at national and European level up to the end of December 2009, consumption in 2020 is expected to be 1678 Mtoe, equivalent to a saving of only 9% relative to the previous projection. Greater effort is therefore required, with additional policies and measures being introduced.

On 8 March 2011 the European Commission adopted the Communication "Energy Efficiency Plan 2011". It recognised energy savings as the most cost effective ways to enhance security of energy supply and to reduce emissions of greenhouse gas and other pollutants.

Finally, on 22 June 2011, the European Commission tabled a proposal for a new Directive on energy efficiency. The proposed Directive envisages that, in the first instance, the 20% energy efficiency target is pursued through the cumulative implementation of specific national and European measures promoting energy efficiency in different fields. If this approach does not succeed, the European policy framework may be reinforced, by adding a system of binding targets. In a first stage, therefore, Member States should be required to set national energy efficiency targets, schemes and programmes. It should be for them to decide whether these targets should be binding or indicative in their territory. In a second stage, these targets and the individual efforts of each Member State should be evaluated by the Commission, alongside data on the progress made, to assess the likelihood of achieving the overall Union target and the extent to which the individual efforts are

sufficient to meet the common goal. The Commission should therefore closely monitor the implementation of national energy efficiency programmes through its revised legislative framework and within the Europe 2020 process. If this assessment shows that the overall Union target is unlikely to be achieved, then the Commission should propose mandatory national targets for 2020, taking into account the individual starting points of Member States, their economic performance and early action taken.

In the Directive proposal the Commission indicates that, according to its assessment, the establishment of a "white certificate" scheme at Union level would create excessive administrative costs and that there is a risk that energy savings would be concentrated in a number of Member States and not introduced across the Union. The latter objective could instead better be achieved, at least at this stage, by means of national energy efficiency obligation schemes or other alternative measures that achieve the same amount of energy savings. However, it also envisaged the possibility for Member States to recognise in the future the energy savings achieved in another Member State.

When it comes to energy transmission and distribution, the proposed Directive requires that National energy Regulatory Authorities (NRAs) pay due regard to energy efficiency in their decisions on the operation of the gas and electricity infrastructure. They shall in particular ensure that network tariffs and regulations provide incentives for grid operators to offer system services to network users permitting them to implement energy efficiency improvement measures in the context of the continuing deployment of smart grids. Moreover, network regulation, and network tariffs set or approved by NRAs shall allow network operators to offer system services and system tariffs for demand response measures, demand management and distributed generation on organised electricity markets.

The Workshop will consider the regulatory implications for the energy sector of the proposed Directive on energy efficiency. It will be structured into two sessions:

The first session will aim at reviewing the experience with national "White Certificate" schemes to see whether it is possible to identify best practices which are able to deliver the most effective results at minimum administrative costs and burden;

The second session will focus specifically on demand-side management and demand response in the electricity and gas sector to assess their potential within the framework of a competitive Internal Energy Market.

Workshop Opening		
8.45 – 9.00	Welcome address	Stefano Bartolini, Director RSCAS Jean-Michel Glachant, Director FSR and Chair LdP

9.00 – 9.25	The Directive proposal: vision and approach	Paula Rey Garcia, Policy Officer, Unit C.3, European Commission, DG ENER
<p>Session I – White Certificate schemes: available experience and best practices</p> <p>This session aims at reviewing the experience of national White Certificates schemes, trying to identifying which aspects which may represent best practices. It also investigates whether a Union-wide White Certificate scheme could be beneficially implemented and which would be its pros and cons</p> <p>Chair: Alberto Pototschnig</p>		
9.25 – 9.50	Approaches to Energy Efficiency	Paolo Bertoldi, JRC, EC
9.50 – 10.40	The experience with national White Certificates Schemes	Presentations from NRAs Marcella Pavan, AEEG Richard Cowart, RAP Europe
10.40 – 11.00	<i>Coffee Break</i>	
11.00 – 11.40	The view of the energy industry	Hans ten Berge, Eurelectric Corinne Berthelot, GDF Suez, Eurogas
11.40 – 12.15	General Discussion: Which Best Practices?	
12.15 – 13.30	<i>Lunch Break</i>	
<p>Session II – The role of demand-side management and demand response in an efficient Internal Energy Market</p> <p>This session aims at analysing the role of demand-side management and demand response in the design of an efficient Internal Energy market. Special attention is paid to the role of demand response in promoting adequacy and security of supply in the electricity sector.</p> <p>Chair: Jorge Vasconcelos</p>		
13.30 – 13.50	The potentials for DSM and Demand Response	Jessica Strömbäck, SEDC
13.50 – 14.20	The view of energy consumers	Peter Claes, IFIEC Monika Stajnarova, BEUC

14.20 – 15.05	The views of the TSOs and DSOs	Susana Bañares, REE Nigel Sisman, ENTSOG Hans Taus, GEODE
15.05 – 15.30	General discussion	
Concluding Remarks		
15.30 – 16.10	Personal Remarks	Claude Turmes, MEP, EP Rapporteur on the Energy Efficiency Directive
16.10 – 16.30	Q&A	Clause Turmes, MEP and others
16.30 – 16.40	Conclusion	Jean-Michel Glachant



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Workshop on

A Future-proof Energy Market

Fiesole, October 12th, 2012

Villa La Fonte

Via delle Fontanelle 10

50014 San Domenico di Fiesole, Florence, Italy

Since the late 1990's, the EU has pursued the integration of national electricity and gas markets into an Internal Energy Market (IEM). A design for this market has been developed over time, in more details for the electricity sector and only recently for the gas sector (the Electricity Target Model – ETM - and the Gas Target Model - GTM). This design is now being transposed into rules through the Network Codes and, at the same time, voluntarily implemented at regional and cross-regional level.

However, the ambitious environmental policy targets set by the European Council in March 2007 and pursued by a variety of instruments and measures both at EU and national levels (ETS, RES support schemes, ...) are significantly affecting the electricity and gas sectors.

The most prominent impact will be caused by the massive increase in the penetration of renewables-based generation in the electricity sector. This type of generation, especially wind and solar, is characterised by a higher degree of intermittency – sudden, large and unpredictable variations in generation levels – than conventional generation. These renewable sources are also less reliable, in the sense of being available when needed, except in some statistical sense.

The greater penetration of renewables-based generation requires therefore, on the one hand, back-up capacity, to guarantee generation adequacy, and, on the other hand, a greater ability of the system to withstand and compensate for the sudden and large variation in injections in the grid.

Such flexibility can be achieved by a combination of wider storage opportunities (as water in reservoirs, using batteries of electric vehicle fleets, ...) and greater contribution from flexible back-up generation capacity.

However, the back-up capacity may only achieve a low utilisation level and may be unviable unless it can rely on instances of very high prices – in case of scarcity – or some form of capacity support mechanism. The requirement for increased flexibility may lead to favour the type of capacity which

can respond promptly to balancing requirements. The concept of capability, more than capacity *per se*, may therefore be used to define the new requirement for the electricity sector.

Capacity support schemes – either explicit or implicit - currently operate in many EU Member States, but so far there has been no attempt to harmonise these approaches, let alone introduce a EU-wide scheme. Moreover, if flexibility in the electricity market is provided by gas-based generation, the gas market needs to become increasingly flexible as well.

In this respect, both the ETM and the GTM may need to be enhanced to deliver these additional requirements.

The Workshop aims at assessing the impact of the greater penetration of renewables-based generation on the electricity and gas markets design. In particular, it will consider whether the ETM needs to be enhanced with the addition of a capacity support/capability mechanism, and what degree of EU-wide harmonisation is required. It will also consider to what extent the GTM needs to be further developed to provide the required short-term flexibility.

Workshop Opening		
8.45 – 9.00	Welcome address	Stefano Bartolini, Director RSCAS Jean-Michel Glachant, Director FSR and Chair LdP
<p>Session I – The penetration of Renewables-based generation in the European electricity market</p> <p>This session aims at illustrating and discussing the current scenarios related to the penetration of renewables-based generation in Europe, with particular emphasis on the expected technological mix and the geographical location of new installations.</p> <p>Chair: Alberto Pototschnig</p>		
9.00 – 9.10	Session Introduction	Chair
9.10 – 9.35	European Commission’s view on the future development of RES-E and the implications for the European electricity and gas markets	Tom Howes, European Commission
9.35 – 9.55	The outlook for RES-E penetration: 2020 and beyond. Intermittency and reliability.	Rainer Hinrichs-Rahlwes, EREF – European Renewable Energies Federation, confirmed

9.55 – 10.15	The TSOs views and assessment of the impact on system operation and security	Jon O’Sullivan,ENTSO-E
10.15 – 10.30	Using Optimate platform to produce policy recommendations	Jean-Michel Glachant, FSR
10.30 – 10.40	General Discussion	
10.40 – 11.00	<i>Coffee Break</i>	
<p>Session II – Capacity Adequacy, Capability and Balancing Markets</p> <p>This session aims at reviewing the experience with capacity/capability schemes in the US and Europe, especially with respect to their ability to guarantee adequacy, but also adequate flexibility in balancing the intermittency of RES-E generation.</p> <p>Chair: Gunnar Lundberg</p>		
11.00 – 11.10	Introduction	Chair
11.10 – 11.50	Capacity/capability mechanisms in the US and Europa Lessons from the UK debate Lessons from Latin America to Continental Europe	Fabien Roques, IHS Carlos Batlle, Comillas University
11.50 – 12.10	GB experience with developing a capacity mechanism	Giuseppina Squicciarini, Ofgem
12.10 – 12.20	Implications of the Energiewende on the Market Design	Sylvia Spruck, BnetzA
12.20 -12.30	Thinking outside the box of the European target model: Do today’s challenges need new markets?	Thomas Tillwicks, Swissgrid, confirmed
12.30- 12.45	Ensuring investment in a liberalised electricity market with a high penetration of subsidised RES	Juan Jose Alba Rios, Eurelectric

12.45 – 13.15	General Discussion	
13.15 – 14.30	<i>Lunch Break</i>	
<p>Session III – Impact on the Gas Market</p> <p>This session aims at Assessing how the greater flexibility required in the electricity market will affect the gas market. Emphasis will be put on the role of gas hubs, hub-to-hub trading and the allocation of cross-border gas transport capacity to support such activities.</p> <p>Chair: Jean-Michel Glachant</p>		
14.30 – 14.55	The required for flexibility: which impact on the gas market design?	Simon Blakey, Eurogas
14.55 – 15.20	Operating a more flexible gas system: the view of TSOs	Malene Hein Nybroe, Energinet
15.20 – 15.45	The regulatory perspective	Gian Carlo Scarsi, ACER
15.45 -15.55	Twinning gas and power	Jacques de Jong, Clingendael
15.55 – 16.20	General discussion	
16.20 – 16.30	Conclusions	Jean-Michel Glachant



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FSR Workshop on

REMIT: A New Market Surveillance Framework for the EU Energy Market

23 November 2012, Florence – Italy

Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (REMIT) came into force on 28 December 2011, introducing a new monitoring framework for the electricity and gas markets in the EU. This framework envisaged a shared responsibility for market monitoring to the Agency for the Cooperation of Energy Regulators (ACER), National Regulatory Authorities (NRAs) and trading venues and other persons professionally arranging transactions in wholesale energy products (PPATs)

Since REMIT came into force, market abusive behaviour – i.e. market manipulation, attempted market manipulation and trading on inside information – in the wholesale energy markets is explicitly prohibited. Moreover PPATs are now required to establish and maintain effective arrangements and procedures to identify breaches of the above prohibitions, which should be notified to the relevant NRA.

Trading and fundamental data will be reported to the Agency for monitoring purposes. This data will be analysed by the Agency in order to detect instances of market abuse which will then be notify to NRAs for investigation. According to REMIT, where appropriate, NRAs may exercise their investigatory powers in collaboration with PPATs.

At present there is very limited experience in Europe in the type of market monitoring which is established by REMIT. Some Power Exchanges had surveillance departments which monitor trading, but typically only for transactions carried out on the exchange. A few NRAs monitor wholesale energy markets monitoring, in most cases focusing on market power rather than more generally on market abuse and in any case their activities are focus on trading at the national level.

Even outside Europe the relevant experience is quite limited. In the US, FERC has a longer tradition in market oversight: however, until now, market monitoring has been based on market statistics and input from trading venue surveillance teams.

While all this experience is relevant, there is no doubt that market monitoring under REMIT will have an unprecedentedly wide scope.

Given the amount of transaction and fundamental data to be handled by ACER and NRAs, some initial automatic screening will be inevitable. However, effective market monitoring is likely to require a subsequent analysis carried out by expert market analysts. This is where the cooperation between the Agency, NRAs and PPATs may deliver the greatest synergy.

The Workshop aims at addressing two aspects of the implementation of wholesale energy market monitoring under REMIT:

- the available experience in the methodologies for detecting market abuse in wholesale energy markets. Experience in contiguous sectors may also be relevant.
- the most effective model for cooperation and the split of responsibilities between the Agency, NRAs and PPATs, taking into account their respective comparative advantages and the resources that they will have available (access to data, experience and expertise, financial resources).

Workshop Opening		
8.45 – 9.00	Welcome address	Stefano Bartolini, Director RSCAS
<p>Session I – Monitoring energy markets and detecting market abuse</p> <p>This session aims at reviewing the current experience in monitoring wholesale energy markets in Europe and elsewhere, performed by NRAs and PPATs, to identify which lessons can be learned as to the most effective approach to be implemented under REMIT</p> <p>Chair: Alberto Pototschnig</p>		
9.00 – 9.05	Session Introduction	Chair
9.05 – 9.30	Market Abuse in Energy Markets: the Academic Perspective	François Lévêque (MINES Paris Tech), confirmed 20' + 5'Q&A
9.30 – 10.00	The US experience in monitoring organised wholesale energy markets	Steven Reich (FERC), confirmed 25' + 5'Q&A
10.00 – 10.45	The surveillance experience of organised wholesale energy market operators in Europe	Erik Korsvold (Nasdaq/OMX), confirmed Wolfgang von Rintelen (EEX), confirmed 2 x 20' + 5'Q&A
10.45 – 11.05	<i>Coffee Break</i>	
11.05 – 11.30	The experience of European NRAs	Fadhel Lakhoua (CRE), confirmed 20' + 5'Q&A
11.30 – 12.00	The views on market monitoring of the trading industry	<i>A tour de table</i> of FSR donors

12.00 – 12.30	General Discussion	
12.30 – 14.00	<i>Lunch Break</i>	
<p>Session II – Organising market monitoring under REMIT: the respective roles of the Agency, NRAs and PPATs</p> <p>This session aims at discussing the most effective way in which market monitoring could be organised, through the cooperation of the Agency, NRAs and PPATs. In particular, their respective roles and responsibilities, based on their comparative advantage and available resources, will be identified</p> <p>Chair:</p>		
14.00 – 14.05	Session Introduction	Chair
14.05 – 14.30	Institutional cooperation in REMIT	Tadhg O'Briain (DG ENER), confirmed 20' + 5'Q&A
14.30 – 15.15	The cooperation between ACER and NRAs	Volker Zuleger (ACER), confirmed Josefine Kuhlmann (E-Control), confirmed 2 x 20' + 5'Q&A
15.15 – 15.40	The role of PPATs	Alex McDonald (WMBA), confirmed 20' + 5'Q&A
15.40 – 16.10	How NRAs are getting ready to implement REMIT	<i>A tour de table</i> of NRA representatives
16.10 – 16.25	General discussion	
16.25 – 16.30	Conclusions	Alberto Pototschnig