

QUARTERLY NEWSLETTER
from Nord Pool Market Surveillance

Q3 2019

Welcome to the first quarterly newsletter from Nord Pool Market Surveillance. We are excited to share this update on surveillance, regulations and other topics Market Surveillance has been working on, with you. In this first edition of our newsletter you will find an interview with a market surveillance analyst explaining how we view our role, and our comments on recent consultations and publications.

The changing role of Market Surveillance – explained by an expert analyst

Market Surveillance at Nord Pool has developed substantially in the last decade. There has been a move toward more automated alerts, and new regulations have led to more standardised processes and stronger documentation. Niklas Cremer, one of four members in the Market Surveillance team, has been working with market surveillance at Nord Pool for two years.



Niklas Cremer
Market Surveillance Analyst

28 years old
2 years at Nord Pool

Our main task in Market Surveillance has always been to monitor trading activity, but we understand our role as more than just that. Although our regulatory obligation is to detect and report market abuse, we believe it is much more efficient to prevent market abuse from happening in the first place.

Even though most Nord Pool members have high standards in their compliance work, a common cause of market abuse is a simple lack of understanding of the rules. This we address by actively engaging in dialogue with market participants in order to reach a common understanding of how to interpret the regulations.

Additionally, our members frequently approach us with questions relating to compliance with REMIT. Commonly we get questions on how to make routines and how to handle insider information. This we have a lot of experience with. We have also developed a [REMIT Best Practice Report](#) together with several market participants.

Throughout the year, the Market Surveillance team has regular meetings with market participants to understand their business and how they see the market. Furthermore, you should not be surprised if you find a team member presenting or participating at a conference.

We try to be open on our views, so that we get feedback from market participants. Discovering a disagreement in how a certain rule or regulation is viewed is valuable. The issue can then be discussed and raised with the relevant regulator or with ACER. We do not have the blueprint; we are dependent on guidance from regulators and ACER as well.

In addition, we see that some market abuse is only possible because of market design imperfections. We must understand these and actively work towards a market design that does not encourage abusive behaviour. We are, therefore, engaged in regulatory work and consultations.

Market Surveillance is also contacted when market participants come across behaviour they suspect to be in breach of REMIT. Such inquiries are always followed up closely.

A case can be generated in three different ways: our automated systems detect a suspicious trading pattern; we discover an outlier through our manual monitoring routine; or we are informed about a specific incident in the market. If we follow any of these up with a more in-depth analysis, we would classify that as a case. Before contacting the market participant involved, we always consider whether this could, in any way, hinder an investigation by a regulator. We do, however, in most cases, contact the market participant involved to get an explanation. We very much appreciate the insight provided by market participants, which usually explains the observed trading patterns.

In our next newsletter we will give insight into how Market Surveillance at Nord Pool works with a case and what challenges we face when doing so.

Regulatory work and Market Surveillance's considerations

Over the summer, Market Surveillance participated in three different consultations.

[BNetzA](#): Draft of a guidance note on price spikes in wholesale electricity markets

- Market Surveillance focused on the assessment of price spikes under REMIT, asking BNetzA to elaborate regarding obligation to sell generation capacity in a specific market segment, and the marginal cost pricing approach. Both statements are highly relevant when assessing potential cases of capacity withholding (physical or economic) in the day-ahead market.

- Market Surveillance appreciates every effort to provide guidance on capacity withholding. Today there seem to be regional differences over whether a market participant is required to bid all available capacity into the day-ahead market, and whether the capacity should be priced based only on marginal production costs. Ideally, there should be a harmonised understanding of this.

Market Surveillance has also commented on [ENTSO-e's](#) proposal for a methodology for a co-optimised allocation process of cross-zonal capacity, as well as [BNetzA's](#) suggested measures to motivate market participants to be in balance at physical delivery.

ACER has published a new version of guidance on REMIT (16th July 2019). Market Surveillance strongly supports the understanding that effective disclosure of inside information has to happen on an Inside Information Platform (IIP). Thereby all inside information is aggregated and available on a few platforms across Europe. ACER also outlines minimum requirements for IIPs. Market Surveillance strongly agrees that inside information should be available to all relevant stakeholders through a web feed or, for example, an API solution, and free of charge.

The intention behind publishing inside information is to ensure that all relevant market participants have equal access to significant changes of market fundamentals. Publishing inside information on many individual company websites or only offering a paid access is not in the spirit of REMIT.

As an example – Nord Pool's UMM platform can be accessed, free of charge, through an API, web feed, or web interface. Market Surveillance believes this is the best solution for the market and would like this to become the standard across Europe.

How to contact Market Surveillance

If you would like to know our thoughts on these and/or other topics, please contact:

market.surveillance@nordpoolgroup.com
or +47 67 10 91 35.

ABOUT NORD POOL Nord Pool, Europe's leading power market, delivers efficient, simple and secure trading across Europe. The company offers day-ahead and intraday trading, clearing and settlement to customers regardless of size or location. Today 360 companies from 20 countries trade on Nord Pool's markets in the Nordic and Baltic regions, Germany, France, The Netherlands, Belgium, Austria and the UK. Nord Pool is a Nominated Electricity Market Operator (NEMO) in 15 European countries, while also servicing power markets in Croatia and Bulgaria. In 2018 Nord Pool had a total turnover of 524 TWh traded power.