



Quarterly report for Market Surveillance
1 April to 30 June 2012

This report gives an update on matters regarding surveillance, regulations, incidents Market Surveillance (MS) has worked on, and news from MS from the second quarter of 2012 (Q2). Further the report aims at increasing the understanding of how MS operates and the interpretation of the Market Conduct Rules (MCR).

Focus areas

Update of the Market Conduct Rules

MS has continued working on revising the MCR in order to align them with the regulations as set out in Regulations on wholesale energy market integrity and transparency (REMIT). MS is cooperating with NASDAQ OMX Oslo ASA in order to ensure that the changes are coordinated. The Customer Advisory Board will comment on the new version, and the new MCR will also need approval from the Norwegian Water Resources and Energy Directorate (NVE) prior to implementation. The process of updating the MCR has been prolonged due to the complexity of the updates. Currently there is not a confirmed date for the implementation of the updated MCR.

REMIT Expert groups

Two representatives from MS have become members of expert groups initiated by the EU Agency for the Cooperation of Energy Regulators (ACER). The expert groups will focus on the REMIT implementation measures and the wholesale energy market surveillance. The goal of these groups is to provide support to ACER during the development of guidance, recommendations and transparency rules in the implementation phase of REMIT, and to advise and assist ACER as well as national authorities in preparing for their wholesale energy market monitoring and surveillance activities according to REMIT.

Baltics

On Monday 18 June 2012, Nord Pool Spot (NPS) opened a new Elspot bidding area in Lithuania. MS has worked on extending the disclosure requirements in the MCR to include all Baltic countries. MS has participated in training sessions and a participant seminar to train the new members on the disclosure requirements and other relevant regulations as set out in the MCR.



Investigations and findings

During Q2 MS has initiated 29 new investigations involving written requests to members. Any breaches of the MCR are described in the sections below.

Sanctions

No sanctions have been issued in Q2.

Erroneous Elspot nominations

There have been two incidents where members have submitted erroneous Elspot nominations in Q2. These incidents have been investigated, and MS has concluded that none of them represent market manipulation as set out in the MCR section 4.1.

When investigating an incident regarding erroneous nominations in Elspot, MS deems that there are two main considerations, namely the effect the erroneous nominations had on the market and the degree of negligence displayed by the member when submitting the erroneous nominations. In both these incidents MS concluded that the effect on the market had been limited and the degree of guilt or negligence was less severe than in similar cases where a sanction has been recommended.

Erroneous Elspot capacities

During Q2 there have been three incidents where TSOs have submitted erroneous Elspot capacities. MS has investigated the incidents, but found no breaches of the MCR. However, MS cannot rule out that these incidents constitute breaches of other relevant laws or regulations. Information regarding these incidents has therefore been submitted to the Norwegian Water Resources and Energy Directorate (NVE).

Prohibition of insider trading - Disclosure requirements

MS has investigated possible breaches of the disclosure requirements and/or prohibition of insider trading during Q2. For the incidents below, MS has concluded that the severity of the breaches could not justify a sanction. However, the breaches of the MCR can be taken into account should there be more breaches of the MCR in the future. For all the incidents summarised below the relevant member received a statement of breach.

- On five separate occasions members published relevant information more than 60 minutes after the information occurred. The incidents represent breaches of the MCR section 3.5.
- On two separate occasions members published urgent market messages (UMM) containing incorrect information concerning "Decision time" and "Event stop". The incidents represent breaches of the MCR section 3.4.
- On two separate occasions members published incorrect information to the market, and relevant information was published more than 60 minutes after the information occurred. The incidents represent breaches of the MCR section 3.4 and 3.5.



- On two separate occasions members traded in Elbas while holding inside information. The incidents represent breaches of the MCR section 2.3.
- Information concerning a unit that was available to the market after a failure was published several hours after the unit became available. During this period the member traded in Elspot, taking the information into consideration. The incident represented a breach of the MCR section 3.5 and 2.3. The reason a sanction was not recommended was an overall evaluation of volume and effect on prices on the day in question.

Input from members

- MS received a tip regarding an unusual production pattern on a production unit. MS is still investigating the incident.
- MS received a tip regarding an incident relating to a production unit where no UMM had been published. The member received a statement of breach of the MCR section 3.5 and 2.3 (described above).
- MS received a tip regarding potentially incorrect capacities in Elbas. MS has not found any breach of the MCR.
- MS received a tip regarding two different UMMs restricting the same capacity between two Elspot areas. In such situations, both UMMs are valid, and the UMM giving the highest restriction will be the one that is decisive for the availability. MS found no breaches of the MCR.
- MS received a complaint regarding a UMM restricting the capacity between two Elspot areas. MS found no breaches of the MCR.
- MS received a tip regarding the relationship between prices and power generated in an Elspot area. MS found no breaches of the MCR.
- MS received a tip regarding a UMM which caused activity in the financial market. MS found no breaches of the MCR.

Statistics

During Q2, MS initiated 29 investigations involving written requests to members. 12 statements of breach of the MCR were concluded on. The majority of these were related to the disclosure requirements. In addition, MS sent information regarding one incident to relevant authorities. The statistics are summarised below.

Investigations from MS	1 st quarter 2012	2 nd quarter 2012
Number of written investigations	37 (Erroneous number in Q1 report)	29
Number of statements of breach	8	12
Number of written warnings	0	0
Number of violation charges	0	0
Number of cases sent to authorities	3	1
Number of tips received from members	4	7

Concluded breaches:	1 st quarter 2012	2 nd quarter 2012
Disclosure requirements	8	10
Market manipulation	0	0
Insider trading	1	3