



Quarterly report for Market Surveillance
1 July to 30 September 2012

This report gives an update on matters regarding surveillance, regulations, incidents Market Surveillance (MS) has worked on and news from MS from the third quarter of 2012 (Q3). 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 is still working on updating the MCR in order to align them with the regulation as set out in the Regulations on wholesale energy market integrity and transparency (REMIT). There is still no 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. So far there have been three meetings altogether.

UMM application

Nord Pool Spot is currently developing a new urgent market message system, which we expect to be ready in the first quarter of 2013. The goal of the project is to create a more user-friendly system making it easier to publish urgent market messages and to interpret the information.

New features include:

- Improved user interfaces
- Filter and sorting of urgent market messages
- Graphs to illustrate unavailable capacity to the market

Nord Pool Spot is developing the new system in close collaboration with a customer focus group consisting of members from all Elspot areas including transmission system operators, producers, consumers, and NASDAQ OMX. If you have any questions about the new system, please send them to umm-feedback@npspot.com.

Investigations and findings

During Q3 MS has initiated 28 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 Q3.

Prohibition of insider trading - Disclosure requirements

MS has investigated possible breaches of the disclosure requirements and/or prohibition of insider trading during Q3. 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 nine separate occasions, members failed to publish information subject to the disclosure requirements to the market within 60 minutes after the information occurred. The incidents represent breaches of the MCR section 3.5.
- On two separate occasions, members published incorrect information to the market more than 60 minutes after the information occurred. In one incident, the member published wrong decision time, and in the other the member published wrong “Event start” and “Event stop”. The incidents represent breaches of the MCR section 3.4 and 3.5.
- One member had planned maintenance on a production unit with more than 100 MW capacity. One week before the maintenance, the member was informed by the entrepreneur that the event had to be postponed, but the information was not published until almost two hours after the event should have begun. The member placed orders in Elbas while holding inside information. According to information from the member, the traders did not hold the information, however as they have not implemented Chinese walls, it represents a breach of the prohibition against insider trading. The incident represents a breach of the prohibition against insider trading, and the disclosure requirements. The member was given a statement of breach of the MCR section 3.4, 3.5 and 2.3. A sanction was not recommended because of the relative low volume and the limited effect on the market.
- One member published information regarding an updated event stop for an event on a production unit several days after the information occurred, and several hours after the event should have ended. In addition, incorrect decision time was given in the UMM published. The member participated in the Elspot auction whilst holding inside information. The MCR section 2.3 regarding prohibition against insider trading says as follows:

“2.3 Members may not place, change or remove Bids or actively enter into Transactions in the Physical Markets when holding Inside Information (...)”

This prohibition has the following exemption regarding the Elspot market:



“a) When Bidding on the Elspot Market pursuant to the Elspot Market Regulations, provided that the Members does not take the inside information into consideration in its Bidding.”

As the information was not known to the traders, the information was not taken into account in the auction and MS found no breach of the prohibition against insider trading. The member was given a statement of breach of the MCR section 3.4 for publishing incorrect information, and of the MCR section 3.5 for publishing information too late.

- One member published information regarding a planned maintenance the following day after the Elspot auction. However, the information was taken into account in the member’s Elspot order. MS deems that the information at least occurred when the order was delivered, hence the information was published to the market more than 60 minutes after the information occurred. The member was given a statement of breach of the MCR section 2.3 for insider trading, and 3.5 for publishing information too late. The reason a sanction was not recommended was the relatively low volume and the limited effect on the market.
- A TSO failed to update the “Event stop” of an event which was postponed with almost two weeks. A new UMM was published, seemingly with information regarding a new event, a few days after the “Event stop” in the original UMM. However, the event was still ongoing, whilst the market was informed that the event had ended. In the period, the TSO took the information into account whilst bidding in the Elspot auction. The member was given a statement of breach of the MCR section 3.5 for not publishing information within an hour, and 2.3 for breaching the prohibition against insider trading. The reason a sanction was not recommended, was the limited effect on the market.

Cases sent to other authorities

A TSO submitted incorrect Elspot capacities that were used in the Elspot auction to Nord Pool Spot. The capacities were set to 200 MW less than the actual capacity for all 24 hours the next day. The same TSO published incorrect Elspot capacities on another occasion, where the TSO failed to take maintenance into consideration whilst deciding the Elspot capacities. The two incidents do not represent a breach of the MCR, however it may represent a breach of other rules or regulations. MS has sent information regarding both these incidents to Norwegian Water Directorate and Energy Resources (NVE), which may forward the information to the relevant authority.



Input from members

MS has received eight tips from market participants in the period from 1 July to 30 September. MS appreciates all input from market participants. The tips received are described below.

- MS received a question regarding large changes in prices in two Elspot areas in Sweden. MS investigated the matter, but found no breach of the MCR.
- MS received a complaint regarding UMMs in one specific area. MS is looking into the matter.
- MS received a question regarding UMMs published regarding yearly maintenances, where the UMMs were published short time before the event was due to start. MS is still investigating this incident.
- MS received a question regarding the price formation in one specific Elspot area in one specific period, in addition to complaints regarding UMMs from one specific member. The investigation is still ongoing.
- MS received a tip regarding poor information in a UMM, where the content could have been misinterpreted to mean that two units would become unavailable to the market. MS looked into the matter, but found no breach of the MCR.
- MS received a tip regarding the building of a new consumption unit which could be subject to the disclosure requirements. MS looked into the matter, but found no breach of the MCR.
- MS received a question regarding a production unit. It was suspected that a unit reported unavailable to the market was actually available. MS looked into the matter, but found no breach of the MCR.
- MS received a tip regarding a member who published information subject to the disclosure requirements through another media before publishing a UMM. The member was given a statement of breach, and the case is described under investigations and findings.

Statistics

During Q3, MS initiated 28 investigations involving written requests to members. 15 statements of breach of the MCR were given in the period. The majority of these were related to the disclosure requirements. In addition, MS sent information regarding two incidents to relevant authorities. The statistics are summarised below.

Investigations from MS	1 st quarter 2012	2 nd quarter 2012	3 rd quarter 2012
Number of written investigations	37 (Erroneous number in Q1 report)	29	28
Number of statements of breach	8	12	15
Number of written warnings	0	0	0
Number of violation charges	0	0	0
Number of cases sent to authorities	3	1	2
Number of tips received from members	4	7	8

Concluded breaches:	1 st quarter 2012	2 nd quarter 2012	3 rd quarter 2012
Disclosure requirements	8	10	15
Market manipulation	0	0	0
Insider trading	1	3	3