



Quarterly report for Market Surveillance
1 April to 30 June 2013

This report gives an update on matters regarding surveillance, regulations, incidents Market Surveillance (MS) has worked on as well as news from MS from the second quarter of 2013 (Q2). Further, the report aims at increasing the understanding of how MS operates and the interpretation of the Market Conduct Rules (MCR).

News

Update of the Market Conduct Rules

MS has revised the Market Conduct Rules (MCR) in order to ensure that they are in accordance with REMIT, and to implement necessary updates. Most of Nord Pool Spot's (NPS) members are obliged to comply with REMIT. Therefore, MS has aligned the MCR with REMIT to make it as clear and simple as possible for NPS' members to follow the different regulations for trading in NPS' markets. MS also wanted to ensure uniform conditions for members trading at NPS. Since REMIT is still not implemented in Norway, MS found it important that the MCR are aligned with REMIT so that all members, including those trading in Norway, have to follow the same type of regime as that imposed by REMIT.

Members have been consulted regarding the new rules through NPS's Customer Advisory Board. In addition there has been arranged a workshop with representatives from the companies taking part in the Customer Advisory Board discussing the changes to the MCR.

MS is currently working on making guidelines relating to the revised MCR, in order to assist members on how to comply with these. More information regarding the revised MCR can be found in Exchange information No. 23/2013.

The new UMM system

NPS launched a new system for publishing urgent market messages (UMM) on 22 May 2013. MS has made new guidelines to assist members on how to comply with the disclosure requirements in the MCR using the new system. On the [help](#) page of the UMM system a wide range of help material can be found. Feedback regarding functionalities can be sent to umm-feedback@npspot.com. For other requests, the contact details are provided on the [help](#) page.



Investigations and findings

Cases sent to authorities:

During Q2, information regarding one incident where a TSO submitted erroneous Elspot capacities for five hours has been submitted to the relevant regulatory authority. MS deemed that the effect the incident had on the market was not severe enough in order for the incident to be a breach of the MCR. However, MS could not rule out that the incident represented a breach of other rules or regulation.

Prohibition of insider trading - Disclosure requirements

MS has investigated possible breaches of the disclosure requirements and/or prohibition of insider trading during the period from 1 April to 30 June 2013. On 27 May, the MCR were revised. Before 27 May, MS issued "statements of breach" in writing to members committing smaller breaches of the MCR. For the incidents summarised below that occurred before the MCR were revised, the relevant member received such statements of breach of the MCR. In these cases MS concluded that the severity of the breaches could not justify a sanction. However, these breaches of the MCR can be taken into account should there be more breaches of the MCR in the future.

- A TSO published a UMM regarding unavailable capacity on an interconnector. The duration was initially stated to be 17 days. 7 minutes later a follow-up UMM was published and the duration was corrected to be 9 hours. The initial UMM did not inform of the correct "Event stop", and the TSO received a statement of breach of the MCR section 3.4.
- A TSO experienced technical problems which resulted in zero capacity given to Elbas on an interconnector in both directions for several days. No UMM was published regarding the incident. It is the opinion of MS that the information regarding the incident was subject to the disclosure requirements as set out in the MCR section 3.1 c) regarding unplanned outages. The TSO received a statement of breach of the MCR section 3.5 for not disclosing relevant information within 60 minutes after the information occurred.
- A member published a UMM after gate closure of the Elspot auction, which stated that a maintenance on a production station would end the following day instead of the day thereafter. The relevant information occurred before gate closure. The member traded in Elspot while holding inside information, and relevant information was taken into consideration in their Elspot order. The member received a statement of breach of the MCR section 2.3 for trading while holding inside information.
- On two occasions members published information to the market which was incorrect, and in addition the correct information was not published within 60 minutes after the relevant information occurred. The members received a statement of breach of the MCR section 3.4 and 3.5.



- On four separate occasions different members did not publish information subject to the disclosure requirements within 60 minutes after the relevant information occurred. The members received a statement of breach of the MCR section 3.5

With effect from 27 May a new disciplinary action of “non-public warning” has been introduced as a formal disciplinary action. The new disciplinary action will replace the “statement of breach”. MS has the authority to issue such non-public warnings without conferring with the board of directors of NPS. Breaches of the MCR, which has resulted in non-public warnings, are described below.

- On three separate occasions different members published information subject to the disclosure requirements more than 60 minutes after the relevant information occurred. Each member received a non-public warning for breaching the MCR section 5.4.

Input from market participants

MS has received 15 tips from market participants in the period from 1 April to 30 June. MS appreciates all input from market participants. The tips received are described below:

- MS received tips regarding idle production capacity in an elspot area, even though the prices in the area were high. MS found no breaches of the MCR.
- MS received two complaints regarding discrepancies between information published in UMMs and actual capacities given to Elspot on an external interconnector on two different occasions. MS is still investigating these incidents.
- MS received a tip regarding a possible erroneous Elspot nomination. MS found no breach of the MCR.
- MS received a complaint relating to a UMM regarding a planned outage on a production station. MS investigated the matter, and found no breaches of the MCR.
- MS received a tip regarding discrepancies between information published in a UMM and the transmission capacity prognosis published on Nord Pool Spot web site. MS found no breaches of the MCR.
- MS received a tip regarding possible insider trading. The Market Surveillance at Nasdaq OMX Commodities was also informed. MS deemed that the incident was not relevant for the physical market, and did not pursue the matter further.
- MS received a complaint requesting additional information in a UMM regarding a nuclear power plant. MS contacted the responsible party, but all existing relevant information was published, and MS found no breaches of the MCR.



- MS received questions relating to a curtailment situation in an Elspot area. MS is still investigating the incident.
- MS received a tip regarding information published in a UMM that was published more than 60 minutes after the information occurred. MS is still investigating the incident.
- MS received a complaint regarding discrepancies between information published in UMMs and actual capacities given to Elspot on an external interconnector. MS contacted the responsible member, and the UMM was cancelled. MS is still investigating the incident.
- MS received a tip regarding incorrect real time production data. MS found no breaches of the MCR.
- MS received a tip regarding the handling of capacity in Elspot and Elbas on a connection. The investigation is ongoing.
- MS received a tip regarding lack of volume in an Elspot area. MS is investigating the matter.
- MS received a tip regarding a members trading activity in Elspot and Elbas. MS is investigating the matter.

Statistics

The table below shows a summary of the statistics so far in 2013.

Investigations from MS	1 st quarter 2013	2 nd quarter 2013	Total 2013	Total 2012
Number of written investigations initiated in the period	17	22	39	127
Number of statements of breach issued in the period	5	9	14	50
Number of Non-public warnings	--	3	3	--
Number of written warnings	0	0	0	0
Number of violation charges	0	0	0	0
Number of cases sent to authorities	2	1	3	8
Number of tips received from members	4	11	15	33

Concluded breaches:	1 st quarter 2013	2 nd quarter 2013	Total 2013	Total 2012
Disclosure requirements	5	10	15	49
Market manipulation	0	0	0	0
Insider trading	0	1	1	10