

REMIT FEE DESIGN & IMPLEMENTATION CONSULTATION¹

GET Baltic response

GET Baltic welcomes the opportunity to contribute and be involved in the present consultation.

We would like to express our support for ACER which promotes the smooth and transparent running of wholesale energy markets in the EU, by helping national regulators ensure the law in each EU country is in line with EU energy policy goals, including market integration. We agree that ACER should be properly funded in order to execute REMIT related activities of collecting, handling, processing and analysing reported information. Below we provide our view on the suggested fees and questions raised by the Commission according to the Consultation Paper published on 25 of May 2020.

Q.1. Do you agree with the methodology proposed for defining the overall amount to be covered by REMIT fees each year? If not, what alternative methodology would you propose? Please provide explanations.

We would like to emphasize our opinion that ACER's REMIT activities principally should be funded in a similar way as other ACER activities – financed from the general budget of the Union mainly, how it is stated in Recital (37) of the ACER Regulation.

Transparency and liquidity of the market is especially important on the emerging markets in Baltic countries and Finland. This offered methodology, when entire fee falls on the MPs/RRPs, creates currently unplanned financial and administrative burden as well as leads to disproportionate distribution of incurred costs between the market participants of different size markets, more over inadequate fee level might encourage switching from trading on transparent trading venues. Any additional significant costs may result in slowing down the development of emerging markets making it harder to catch up with established and advanced ones. Such approach would not be supported as the fairest way by our emerging natural gas market stakeholders. MPs/RRPs are not the only beneficiaries of the transparency and fair competition in the market, as all final consumers also benefits from transparent market – we suggest to ACER reconsidering financing REMIT related activities mainly from the general budget of the Union, limiting activities covered by REMIT fees strictly to the legal scope of ACER REMIT regulation and providing sufficient time for market and market participants to prepare to absorb and administrate the applied fees.

Q.2. Do you agree that reporting parties registered with ACER should be charged with paying the fees? If not, from whom and how should the fees be collected?

Article 8 of REMIT states that overall responsibility for reporting lies with MPs, while RRM (may) act on their behalf to ensure timely and correct submission. From our point of view, the fees should also lie on those who has responsibility to do reporting – MPs. Instead of charging the reporting parties registered with ACER, we suggest charging MPs directly

¹ European Commission consultation in preparation of a “Commission Decision setting the fees due to the Agency for the Cooperation of Energy Regulators for collecting, handling, processing and analysing of information reported under Regulation (EU) No 1227/2011 of 25 October 2011 on wholesale energy market integrity and transparency”.

(not RRM's) by providing methodology to RRM's who afterwards could cooperate with ACER collecting the fees from MPs.

Furthermore, we take a different view with the argument given in the Consultation Paper that "<>...the most cost-effective solution seems to be having ACER collecting REMIT fees directly from reporting parties registered with ACER". From our point of view, it is highly important to note that the cost will not be reduced that way, it will only be moved on RRP's side including financial and administrative burden without even evaluating it as RRP's financial contribution.

Moreover, in case of charging RRM's instead of MPs, there is an inevitable disparities in ability to absorb the fees due to different distinctive legal statuses of RRM's, as well as generally different types of RRM's, which might lead to distortion of ability to compete between each other and provide dedicated services at all.

Q.3. Do you agree that these are the key considerations for defining the methodology for calculating REMIT fees? Are there additional elements? How should the different cost drivers be weighted in the methodology? Do you have preferences or specific proposals as regards the methodology? Please provide explanations.

We partly agree with the key components for defining the methodology for calculating REMIT fees. We believe that the fees should not encourage MPs to trade outside OMPs (regulated and the most transparent trading venues) for economic benefits avoiding REMIT fees.

As MPs are not able to trade through OMPs without placing orders, the records of submitted orders should be excluded from calculations or otherwise, orders and trades executed on OMPs should be included into calculations by different tariffs versus records executed outside OMPs. Otherwise the same transaction executed on OMPs will be calculated as several records and MPs will be more interested in making bilateral contracts instead. Also, as standard contracts scheme is much simpler than non-standard one so it should be much easier to process and monitor, thus standard contracts should be counted differently. This is especially important on the emerging markets as Baltic countries and Finland, where at the earlier stage of market development, liquidity on OMP is highly important. In the first quarter of 2020 around 10 proc. of natural gas have been traded through GET Baltic – the OMP of Lithuania, Latvia, Estonia and Finland. These gas markets with the number of market participants and concluded transactions growing year on year are in good direction. Moving from illiquid-incipient hub phase towards emerging, creating liquid gas market. Any additional regulatory and costs uncertainties may lead to slowing down the development and forming a broader gap between the European hubs.

Moreover, evaluating the fixed fee, as an OMP and RRM acting on currently emerging market, we would like to highlight that in suggested calculations we have a huge disproportion of an average price per record in different market areas where one RRM with a few smaller MPs (1 to 1,000 records) would pay significantly higher fee per record than other RRM with a few the most active MPs (more than 1,00M records). This could influence the attractiveness of smaller, currently developing markets. Taking into account any fixed

fee component would certainly benefit larger RRM's imposing a disproportionate cost burden on smaller ones.

All in all, from our point of view, in order to ensure fair competition of OMP's and RRM's, the number of MP's and transactions should be the main components of REMIT fee.

Q.4. Do you agree with the proposed way when and how REMIT fees should be charged? If not, what process would you propose? Please provide explanations.

As mentioned in previous question, we suggest that the fairest way is to finance ACER's REMIT related activities from the general budget of the Union with a possibility in addition charge the MP's. Also, from our point of view, the fee amount should reflect the actual cost of the service provided, so invoices should be calculated after the service is provided and based on MP's actual trading activity, using the transparent calculation formula.

In case when there are fixed and variable components, the fixed part could be invoiced in the beginning of the year. The periodicity of variable invoicing could be set (monthly/quarterly) depending on the collected amount and covered part of the ACER's budget with the fixed fee before. This way ACER's budget would be warranted for current period, all financial burden would not lie on RRM's/MP's at once and the transparency of calculations would be ensured. Our suggested method would also give RRM's more time to prepare for invoicing and creation of fees collection operations, especially important for the first invoicing.

Furthermore, we would like to highlight that the methodology ACER has proposed would oblige RRM's to take on undue financial cost and risk. RRM's as well as MP's should not be responsible for pre-financing all part of ACER's annual budget in advance. It is especially important for smaller RRM's when they would take a risk of the whole yearly amount of all its clients fees in advance.

About GET Baltic

Conducting its operations since 2012, GET Baltic is a licensed natural gas exchange operator with a status of Registered Reporting Mechanism provided by the ACER.

The Company administrates the electronic trading system for trading spot and forward natural gas products with physical delivery in the market areas located in Lithuania, Latvia, Estonia and Finland. By providing high quality services, the Company is seeking to contribute to increase in liquidity, competitiveness, and transparency of the wholesale gas market of the Baltic States and Finland.