

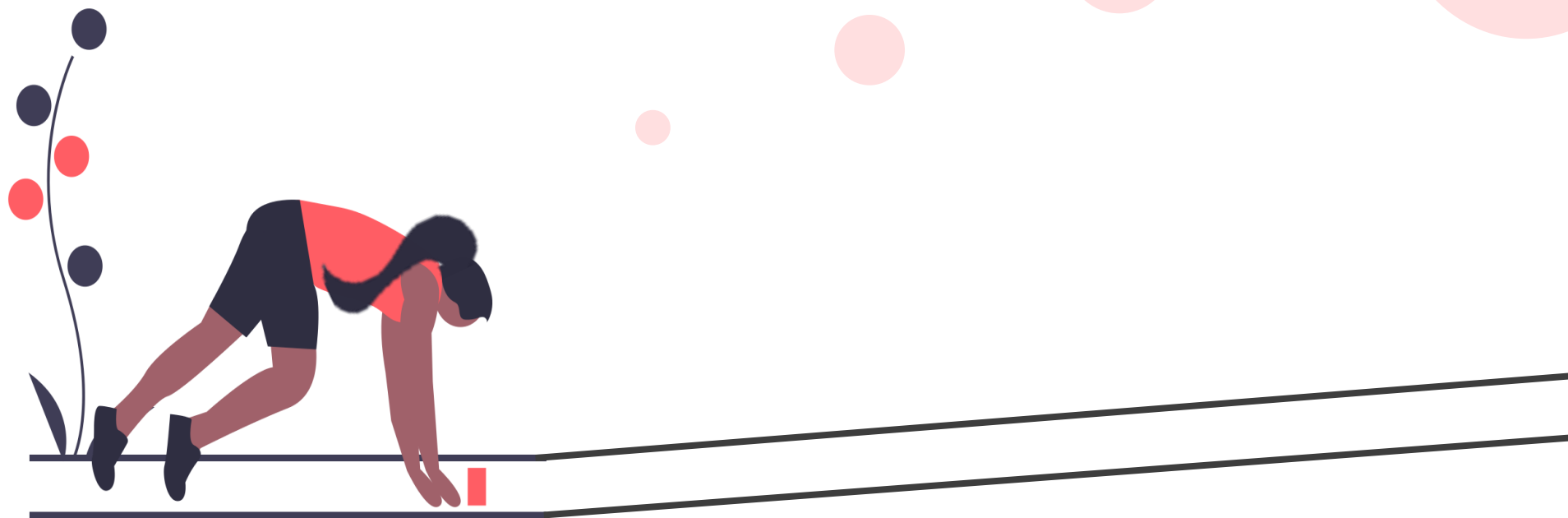


# Navigating Inside Information & Insider Trading in Energy Trading

September 29, 2023  
Erik Hauptvogel



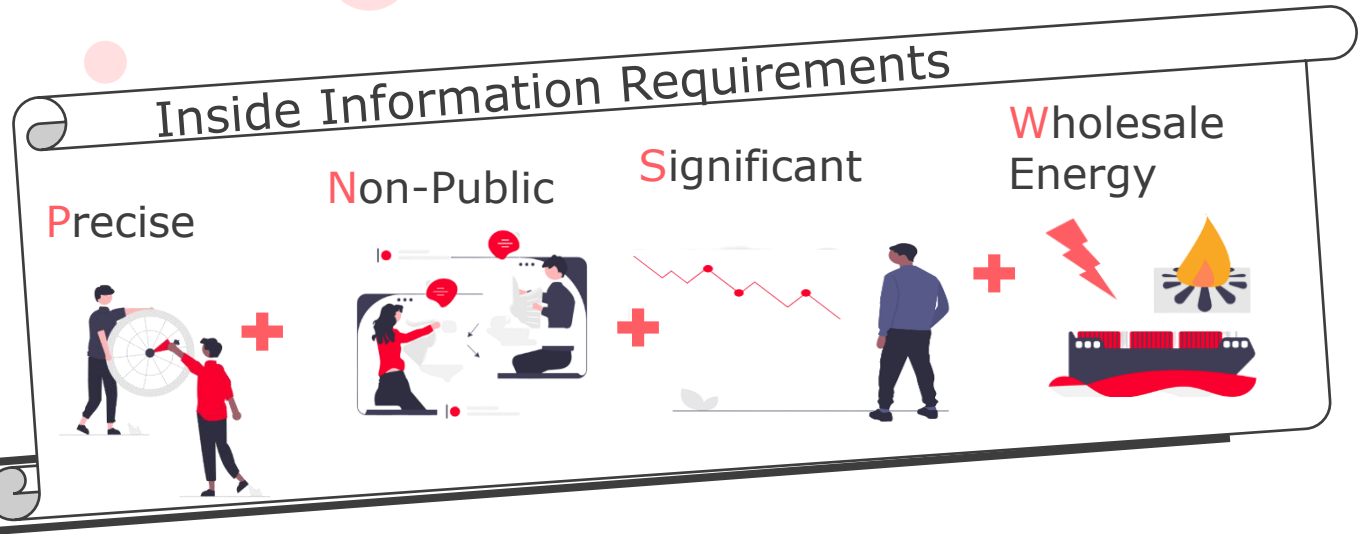
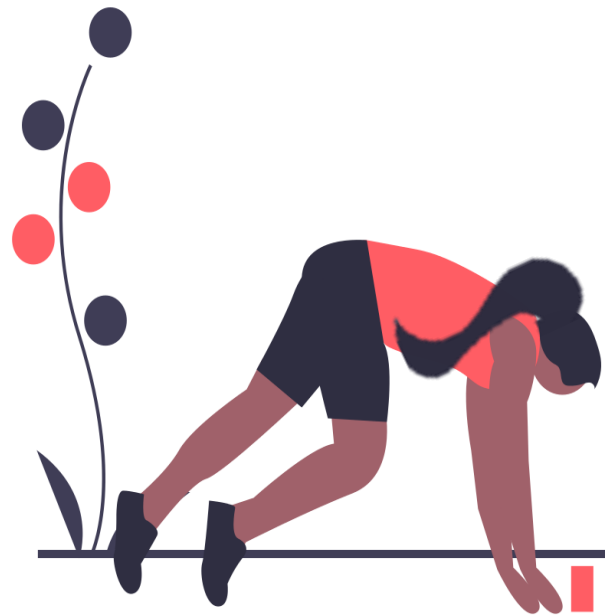
# Spirit



# Pain 'N Suffer Well



# Pain 'N Suffer Well



# Dispatch Mode

## 1. Policy of Truth

What is Inside Information?

## 2. Behind the wheel case studies

### 2.1 Everything Counts

Using various data sources for an algorithm

### 2.2 Just can't get enough

Gathering internal and external information following an asset outage

### 2.3 A Question of time

Actions following Publication of an operational mistake

## 3. Summary - Never let your team down (again)

Disclaimer: No legal opinion. Opinions and Interpretations are mine.  
Examples and tables are fictitious and only for inspiration.



# 1. Policy of Truth

What is Inside  
Information



## 1. Precise

“Information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or may reasonably be expected to come into existence, or an event which has occurred or may reasonably be expected to do so, and if it is **specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of traded products.**”

[adapt to Acer Guidance section 3.3.1]



## 2. Non-Public

“In general, information is deemed to be public knowledge if such information has been made, by any party, **available to the public**, i.e. to an unspecified number of market participants. In this regard, it is irrelevant who made the information public. No distinction is made as to whether the information was made public by a market participant or by any other party.” [Acer Guidance section 3.3.2]



### 3. Significant effect

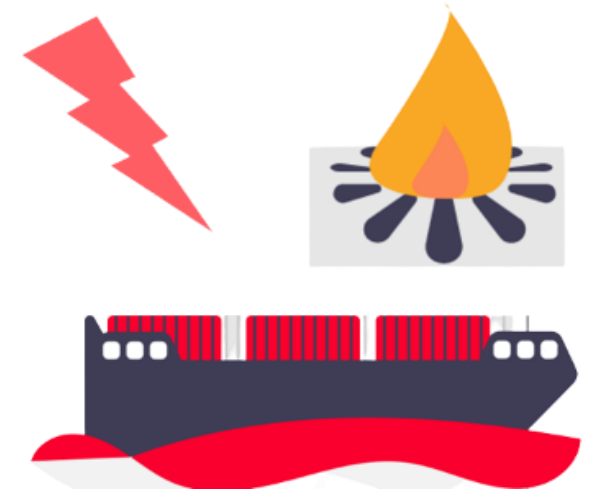
“For an information to be significant, it is sufficient if, from the perspective of a **reasonable investor** who is in possession of all available information, it appears likely that the price could be significantly affected. However, significant changes in the price that actually occur after the inside information was made public may be an indicator of the potential price-sensitivity of the information to be assessed.” [adapt to recital (15) of the MAR]



### 4. Wholesale Energy / Related Underlying

Physical or financial contracts affected by for example

- the capacity and use of facilities for production, storage, transmission of electricity or natural gas,
- the capacity and use of facilities for consumption of electricity or natural gas, incl. (un)planned unavailability;
- the capacity and use of LNG facilities, incl. (un)planned unavailability.





# 2. Behind the Wheel Case Studies



# 2.1 Everything counts

Can I use various data sources for an algorithm?

	P	N	S	W	No	Yes
<u>Market</u>						
Market Price	Red	Cyan	Yellow	Red	Cyan	Cyan
<u>Info</u>						
Blasphemous Rumours	Cyan	Yellow	Yellow	Red	Cyan	Cyan
Transmission Capacity Availability	Red	Cyan	Red	Red	Cyan	Cyan
Inside Information Platform (IIP)	Red	Cyan	Red	Red	Cyan	Cyan
Weather Models	Cyan	Yellow	Red	Red	Cyan	Cyan
...						
<u>Company</u>						
Small Asset Unavailability	Red	Red	Cyan	Red	Cyan	Cyan
<u>Info</u>						
Large Assets Unavail. (no publ. on IIP)	Red	Red	Red	Red	Red	Red
Online Data (Production, Temp, Wind Speed) by Large Assets	Yellow	Red	Yellow	Red	Yellow	Yellow
Balancing Activation Signals	Yellow	Red	Yellow	Red	Yellow	Yellow
Icing on Large Assets	Yellow	Red	Yellow	Red	Yellow	Yellow
Open Position after DayAhead Auction	Cyan	Red	Yellow	Red	Cyan	Cyan



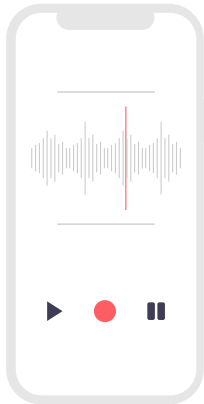
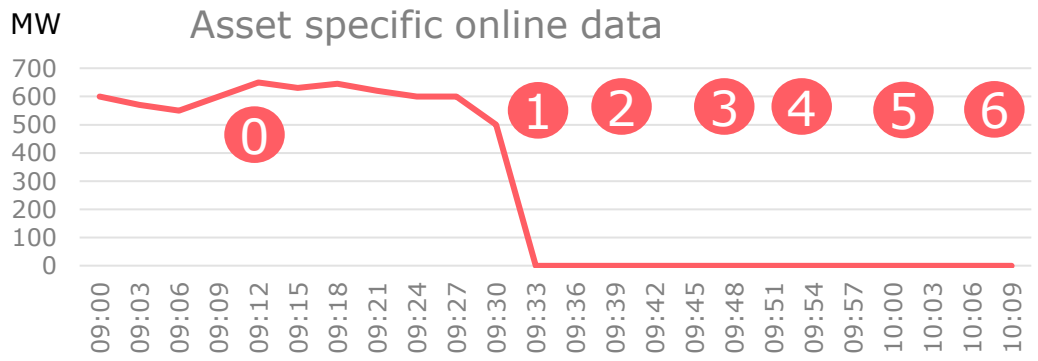
Indicative table, edge cases and opinions may differ

# 2.2 Just can't get enough

Can I further balance my large offshore wind farm "GGF"?

- 0 Wind farm is operating normal at around 75 % (+/-10%) installed capacity
- 1 See a drop in online data for own wind farm
- 2 Look at Publication on IIP and see no related entry
- 3 Call the own company production controller (PC). PC says: "I don't know. I cannot give you any further information. You know the protocol!"
- 4 Call System operator (SO). SO says: "Yes, I am aware of the asset-connected transformer station outage. We are working on it."
- 5 Call the Compliance Officer what to do
- 6 See publication by asset owner at IIP, later by SO at IIP

	P	N	S	W	No	Yes
0						
1						
2						
3						
4						
5						
6						



## 2.3 A Question of time

Based on 2.2 Just can't get enough



John Energy Regulator  
Master & Servant Route 66  
1980 Basildon

Photographic Trading, MC  
People are People Street 4  
951962 Epping

By e-mail. Sep 28th, 2023

Dear Sir or Madame,

**Investigation into Photographic Trading, MC, and its compliance with REMIT Art. 3 (Insider Trading).**

We are writing to inform you that John Energy Regulator's ("JER") Special Market Supervision ("SMS") has decided to open an investigation on whether Photographic Trading, MC ("Photographic") has breached REMIT Art. 3 on Insider Trading.

JER has reviewed unavailability publication for GGF windfarm on **May 26, 2023, 9:59 PM for the period May 26, 2023, 9:31 PM to May 26, 2023, 11:00 PM**

JER identified Photographic's trading activity on the Precious Exchange in the **Continuous Intraday Market on May 26, 2023, 9:31 PM to 9:59 PM** for delivery May 26 and 27 ("Relevant Period").

Please explain your genuine intention for the trading behavior for the Relevant Period.

JER further requests the following documents:

- the Photographic's group's risk management policies.
- documents relating to the interpretation and implementation of inside information procedures, in particular regarding the REMIT regulation.

We need to inform Photographic that the maximum fine according to is 10 % of revenue and may keep it open to investigate the people identified in the offence.

## 2.3 A Question of time

### 1. It's no good?

Review Letter and make project plan

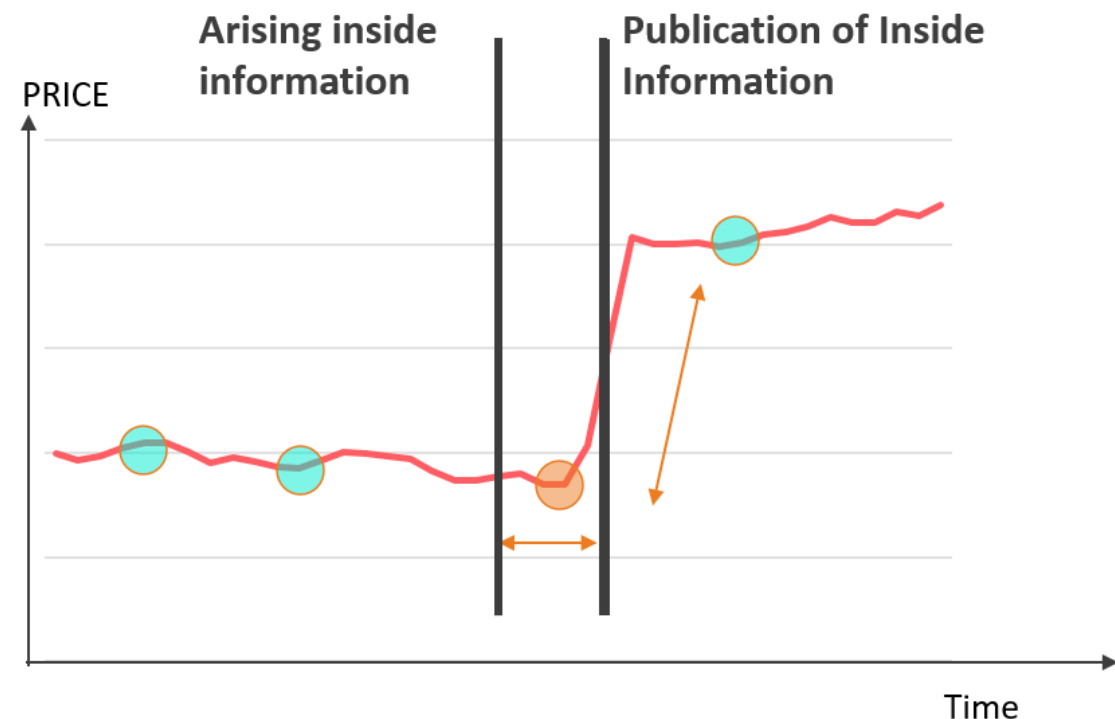
### 2. In your room

- Escalate internally & involve the right colleagues
- Assess Market Situation at the time
- Assess trading activity and basis for trading
- Invite for Interviews
- Review Shift log
- Review Asset Information, Weather
- Etc.

### 3. See the world in my eyes: Write aligned Response

### 4. Shake the disease: What can we learn from case?

### 5. Enjoy the silence: Wait for reply by regulator



# 3. Summary



# Never let you team down (again)

1. Create awareness
2. Prepare for various situations before, during and after inside information publication
3. Establish standardized procedures for handling (potential) inside information
4. Create tailored, preferably real stories



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