

Submission Date

13/02/2025

ESMA_QA_2439

Status: Answer Published

Additional Information

Level 1 Regulation

Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Secondary Markets

Level 2 Regulation

Regulation 2017/565 - MiFID II Delegated Regulation

Topic

Position reporting

Additional Legal Reference

Article 83(1)(b) of CDR 2017/565; Article 57(1) of MiFID II

Subject Matter

Q&A on open interest thresholds in energy derivatives

Question

How do open interest thresholds that are denominated in lots such as in Article 83(1)(b) of CDR 2017/565 (10,000 lots) and in Article 57(1) of MiFID II (300,000 lots) translate into underlying units of energy derivatives such as Megawatt Hour (MWh), million British Thermal Units (MMBTU), or Therms (therm)?

ESMA Answer

13-02-2025

Original language

For the purpose of converting thresholds that are denominated in lots into underlying units of energy derivatives, ESMA considers the monthly contracts in which most trading activity is concentrated as a baseline, each representing 1 lot.

The conversion for the 10,000 lot threshold is exemplarily demonstrated below:

For gas and base load power, the monthly contracts representing 1 lot, are considered equivalent to 720MWh (1MW^[1]*24h*30days). Given that 1 MWh = 3.41^[2] MMBTU and 1 MMBTU = 10 therm, the following thresholds apply:

10,000 lots = 10,000 * 720MWh = 7,200,000 MWh

10,000 lots = 10,000 * 720MWh * 3.41 MMBTU/MWh = 24,548,477 MMBTU

10,000 lots = 10,000 * 720MWh * 3.41 MMBTU/MWh * 10 therm/MMBTU = 245,484,766 therm

For peak load power, the monthly contract representing 1 lot is considered equivalent to 264MWh (1MW*12h*22days) and consequently, the following threshold applies:

10,000 lots = 10,000 * 264MWh = 2,640,000 MWh

This Q&A expands the scope of the existing Q&A on [Position limits - the definition of "a lot"](#) to also cover position reporting, without changing the approach.

Concerning gas derivatives denominated in units different from MWh, please also refer to the [Q&A on lot sizes and position limits](#).

[1] Sometimes the physical power of energy contracts is stated in daily terms, e.g. 1 MWh/d = 1/24 MW instead of 1 MW, however, this is less common.

[2] The calculations were performed using a conversion factor of 3.4095106405145.