The Role of Market Monitors

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Agenda

- FERC mandate
- Role of market monitoring unit
- Emerging market monitoring issues
- Conclusion
FERC Policy Statement on Market Monitoring Unit (May 27, 2005)

- Identify ineffective market rules and tariff provisions and recommend proposed rule and tariff changes to the ISO/RTO
- Review and report on the performance of wholesale markets in achieving customer benefits
- Provide comprehensive market analyses critical for informed policy decision making
- Identify potential anticompetitive behavior by market participants
The Need for Market Monitoring is Driven by the Nature of Electricity

- Electricity is not storable
- Lack of demand response in real time
- Electricity market is a coordinated market, which remains incomplete
- Reliability (security of supply) is a public good
- Market power can’t be eliminated
- Price cap or bid cap is necessary
Electricity restructuring is a process, not an event

• Market monitor provides the feedback loop to improve the performance of market
• Market performance metrics include efficient prices, reliability and efficient investments
• No market design is perfect
• It is market monitor’s job to focus on the overall market performance
How Does an Internal Market Monitor Work?

• Market monitor has specific but limited mitigation authority to ensure compliance
  – Conduct/impact threshold
  – Reference price calculation
  – Market behavior rule
• Access to information and the ability to assess market performance is essential
• Open communication with market participants is essential
• Cooperation with FERC and state regulators is critical
• Keep the Board and senior management team in the loop
Emerging market monitoring issues

• Cold Snaps in the winter
• Reliability contracts
• Ancillary Service Markets
• Capacity market
• FERC’s new market manipulation rule
Conclusion

• Market monitors need to focus on the overall performance of markets
• Market power mitigation authority specified in market rules provides an important base
• Access to data, analyses, knowledge, and open communication provides powerful tools
• Partnership with FERC and state regulators is essential