

Annual Solicitation of Market Participant Input On the External MMU's Performance

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Management Committee Meeting
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Background

- ◆ In 2013, the NYISO executed a three-year contract with Potomac Economics to perform the NYISO's Market Monitoring Unit (MMU) functions. The MMU contract term is from April 1, 2013 through March 31, 2016.

- ◆ At the July 2014 Board Liaison Meeting, the New York Transmission Owners requested to establish a process for Market Participants to provide input to the NYISO Board on:
 - *The MMU's performance of its duties; and*
 - *The renewal of NYISO's contract with the MMU*

NYISO Board of Directors (Board)

- ◆ The NYISO tariffs establish the Board's requirement to retain the MMU and the Board's responsibility to independently oversee and review the MMU's performance
- ◆ Stakeholder input from Market Participants regarding the MMU's performance will assist the NYISO Board in its assessment of the MMU's performance

Process for Obtaining Market Participant Input

- ◆ Once a year, the NYISO will solicit written comments from Management Committee members regarding the MMU's performance of its defined duties and the quality of its work products
- ◆ All Market Participant written comments will be treated as confidential to protect commercially sensitive matters
- ◆ NYISO staff will provide the Board with a summary of the stakeholder comments and verbatim copies of each of the comments received

Summary of Key Provisions of the MMU's Contract Statement of Work

◆ **Act as NYISO's Market Monitoring Unit**

- *Perform all of the duties and functions, and assume all of the responsibilities assigned to the Market Monitoring Unit (MMU) in the NYISO's Market Monitoring Plan (the Plan), including, but not limited to:*
 - *Ensuring that the markets administered by the NYISO function efficiently and appropriately.*
 - *Protecting consumers and Market Participants (MPs) by identifying Market Violations (as defined in Section 30.2 of the Plan), market design flaws and market power abuses.*
 - *Reviewing and reporting on the performance of the wholesale markets that the NYISO administers to the NYISO, the NYISO's Board, the NYISO's regulators, and Market Participants. Such reporting includes:*
 - *Producing annual and quarterly state of the market reports assessing the performance of the New York electrical markets; and*
 - *Regularly attending meetings with NYISO's stakeholders.*

Summary of Key Provisions, cont'd

- *Evaluating existing and proposed market rules, tariff provisions and market design elements and recommend proposed rule and tariff changes to the NYISO, to the NYISO BOD, to the staffs of the FERC and PSC, and to MPs.*
- *Notifying FERC staff and, where permitted, NYISO of instances in which the MMU has identified behavior that may require investigation, or has identified a perceived market design flaw that could be effectively remedied by rule or tariff changes.*
- *Responding to information and data requests from the FERC and other regulatory agencies.*
- *Performing the responsibilities that are consolidated in Section 4.6 of the Plan from other provisions of NYISO's tariffs.*

Summary of Key Provisions, cont'd

- **Advise the NYISO's Board of Directors**
 - *Attend Board meetings on a quarterly basis, or as requested by the Board.*

- **Advise the NYISO's Market Mitigation and Analysis Department (MMA) on market monitoring functions, including the following:**
 - *Provide advice on the development and maintenance of reference levels, going forward costs, and retrospective mitigation;*
 - *Review and prepare a written report of NYISO's buyer-side mitigation determinations; and*
 - *Review NYISO's application of prospective mitigation.*

Summary of Key Provisions, cont'd

- **Market Design Review and Support**

- *Review and advise NYISO on market design initiatives including: (i) market rate changes, (ii) new functionalities for various NYISO departments, and (iii) related regulatory proceedings. The MMU examines and evaluates market design proposals to offer constructive input, raise precautionary issues and identify potential efficiencies or inefficiencies.*

- **Regulatory Support**

- *Advise NYISO regarding proposed tariff changes related to market rule design and function. Related activities include (i) attending and reporting on same at Board and/or Stakeholder meetings, (ii) consultation with FERC and state regulators, and (iii) preparing affidavits to accompany NYISO filings.*

- **Compliance with MMU Ethics Standards**

- *Potomac Economics is required to comply with the MMU Ethics Standards set forth in the Plan.*

MMU Performance Metrics

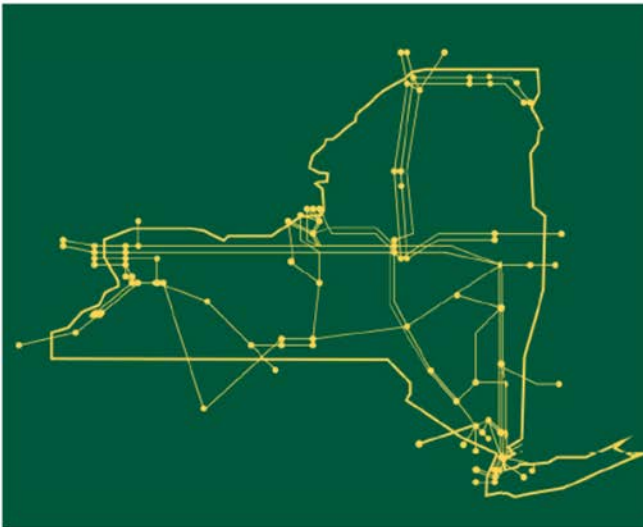
- ◆ The following performance tracking metrics are presented to the Board to help it assess the MMU's performance:
 - *Quality and timeliness of specific SOM Report deliverables*
 - *Quality and timeliness of generator reference level change reviews*
 - *Quality and number of mitigation analysis reviewed and commented on*
 - *Quality and number of legal proceedings involving advice or testimony*
 - *Quality and number of Market design areas involving review or analysis*
 - *Quality and number of other significant market analyses or reports*

Comment Submission

- ◆ Stakeholder comments will be accepted until June 1, 2015

- ◆ Written comments should be submitted to:
 - *Rick Gonzales at rgonzales@nyiso.com, and*
 - *Leigh Bullock at lbullock@nyiso.com*

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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