Market Monitoring & Market Power Mitigation

Consumer Advisory Council
January 19, 2012

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Market monitoring, mitigation, and analysis is performed by:

- **External Market Monitoring Unit (MMU)**
  - *Potomac Economics*

- **Market Mitigation & Analysis (MMA) department**
  - *Internal NYISO department*
MMU and MMA Responsibilities

- The external MMU is responsible for performing the three core market monitoring functions
  - Evaluating market rules and tariff provisions and recommending changes when needed,
  - Reporting on market performance, and
  - Referring possible Market Violations and market design flaws to the Federal Energy Regulatory Commission (FERC)

- The MMU assists the internal MMA department’s efforts to develop the inputs to mitigation (e.g., reference levels, going-forward costs)
MMU and MMA Responsibilities

- The internal MMA department is responsible for:
  - Performing mitigation and physical audits
  - Responding to data requests that are not issued to the MMU, and
  - Implementing other requirements of the NYISO tariffs

- The MMU and MMA work collaboratively to fulfill their responsibilities
What Is Monitored?

- Participant Behavior
  - Economic Withholding
  - Physical Withholding
  - Uneconomic Production
  - Actions that Cause Inefficient Operational Impact
  - Installed Capacity (ICAP) Bidding and Scheduling
  - Generating Availability Data System (GADS) Reporting
  - Persistent Underforecasting by Load Serving Entities (LSEs)
What Is Monitored?

- Energy, Ancillary Services, Bid Production Cost Guarantees, Virtual Market Outcomes
- Transactions (single-hour and multi-hour)
- Transmission Congestion Contracts (TCC)
- TCC and ICAP Auctions
- Physical Facilities
Market Mitigation Measures

Consistent with Attachment H of the Market Services Tariff:

- Monitor market outcomes and market participant conduct
  - Daily market reviews
  - Daily operations call
  - Weekly market review

- Administer inputs into the mitigation process, including reference levels and load pocket thresholds
Market Mitigation Measures

- Identify and respond to inappropriate conduct that has impact:
  - Materially changes market prices, or
  - Increases guarantee payments

Attachment H specifies the mitigation measure or other remedy to be applied in each instance

- Monitor for abuses of market power that depart significantly from conduct expected under competitive market conditions
Use of Reference Levels

- A reference level is a “proxy” intended to reflect an offer that a generator would submit in a competitive market
- Generators must maintain accurate reference levels at all times
- Reference levels can be bid-based, LBMP-based, cost-based or NYISO determined
- Reference levels are compared to generator bids to perform conduct and impact tests
When We Act

- If monitoring finds behavior violating defined conduct and impact thresholds
  - Mitigation
  - Penalty and/or Sanction
  - Section 205 filing at FERC seeking authorization to apply an appropriate mitigation measure
When We Act

- If reporting indicates non-competitive outcomes
  - Gather data/determine cause
  - Market rule changes
  - May be necessary to contact FERC office of enforcement

- Note: Not all investigations / conversations lead to mitigation or action
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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