

A faint background image of the state of New York is overlaid with a complex network of grey lines representing a power grid. Small colored dots (red, blue, purple) are placed at various nodes of the grid.

Market Monitoring & Market Power Mitigation

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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

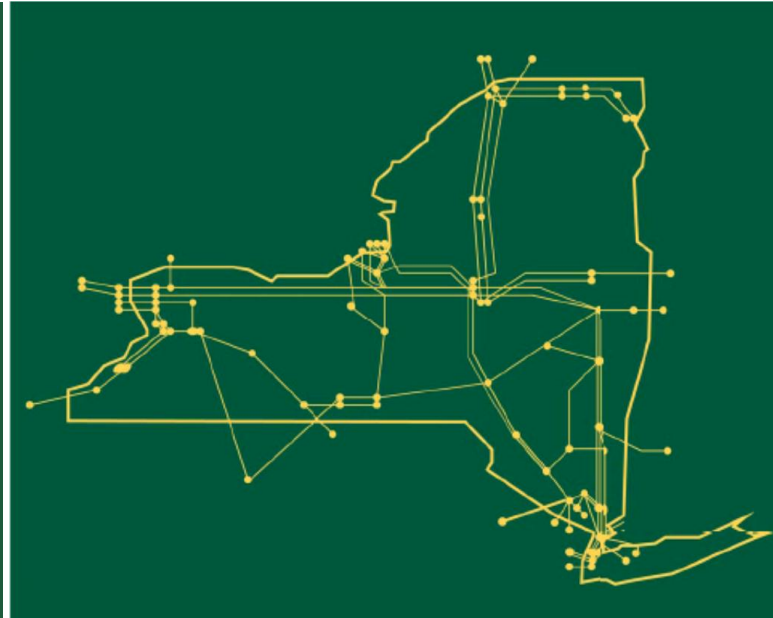
When We Act

- ◆ 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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