

# **NYISO**

## **Market Monitoring, Analysis & Performance**

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# **Agenda:**

- 1. The Role of Market Monitoring**
- 2. The NYISO's Market Monitoring, Analysis and Performance Unit (MMP)**
- 3. MMP 2007 Plan**

# The Role of Market Monitoring

## Why is there a need for Market Monitoring?

- Electricity is not storable
- Loads can be highly volatile
- Power flows are volatile and subject to constraints
- Real-time demand response is limited
- Unexpected events happen
- Our markets are complex and always evolving
- ➔ *Market power cannot be eliminated*
- ➔ *Market power is transitory across time and location*

# The Role of Market Monitoring

## Why is there a need for Market Monitoring?

- Participants with market power can manipulate prices and affect the level of output
  - *Market power may occur on both the supply and demand sides of the market*
- The exercise of market power can undermine the market and industry
  - *Short run –price, output and confidence implications*
  - *Long run –implications for investment, innovation, social welfare*
- Possessing market power does not necessarily mean it will be exercised.

# The Role of Market Monitoring

## What do we do?

- We focus on overall market performance
  - *Monitor market outcomes and activities*
    - ▶ Issues of competitiveness and efficiency
    - ▶ Day-to-day
    - ▶ Longer term analysis
  - *Monitor market rules, arrangements, systems and structure for features that may affect issues of competitiveness and efficiency*
    - ▶ Existing and potential future arrangements
  - *Monitor adjacent and related markets for developments that may impact the markets that the NYISO administers*

# The Role of Market Monitoring

## What do we do?

- We have limited mitigation authority
  - *In accordance with FERC Tariff*
- Provide Information to the marketplace
  - *Prepare Monthly Market Highlights and Monthly Report*
- Conduct investigations
- Work with Market Participants, federal and state regulators, the Independent Market Advisor and our board/senior management in carrying out our role.

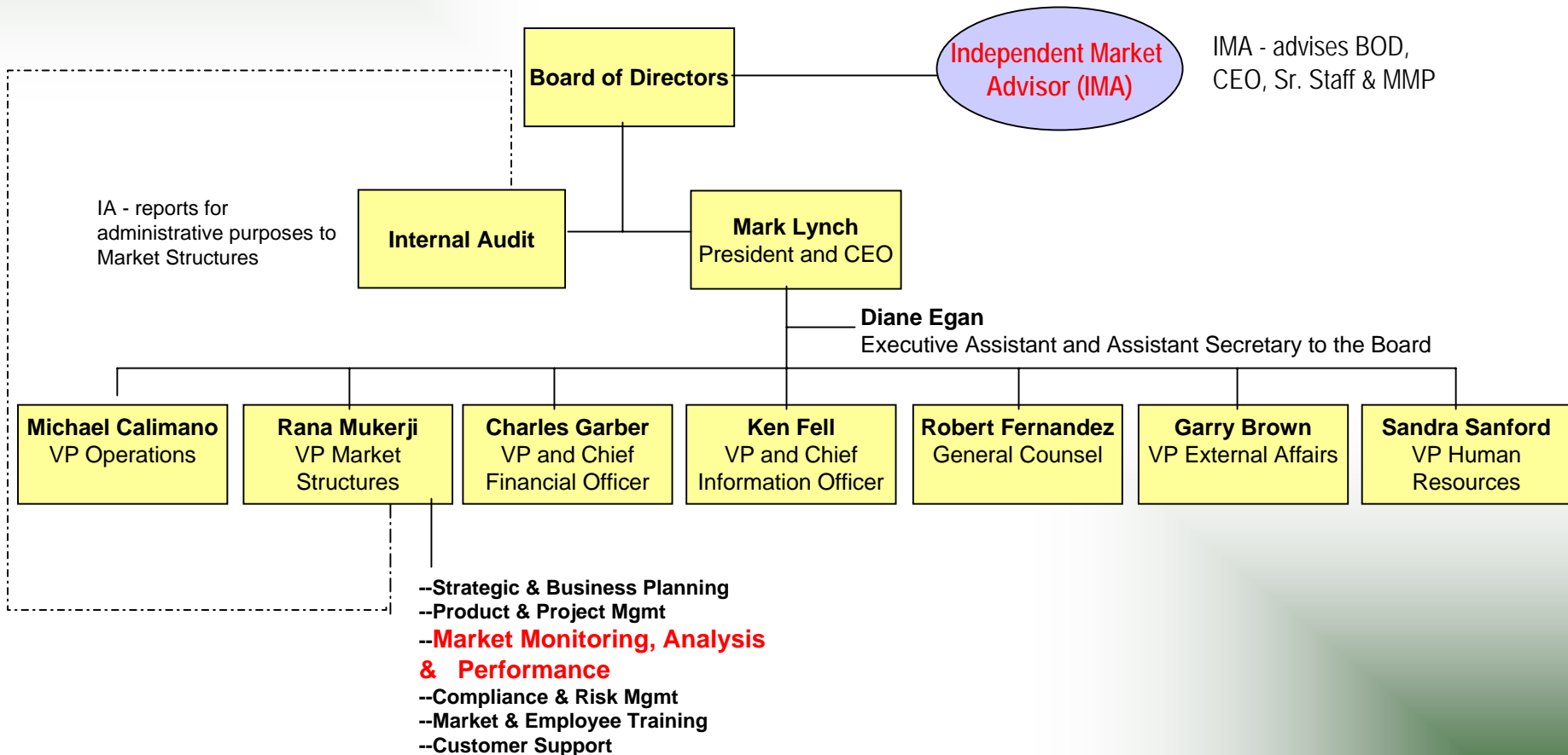
# The Role of Market Monitoring

## What is our Mandate?

- FERC-accepted Monitoring Plan and Mitigation Measures
  - *Market Monitoring Plan*
    - ▶ Outlines MMP's functions and responsibilities
  - *Market Mitigation Measures*
    - ▶ Set forth in Attachment H to NYISO Market Services Tariff
    - ▶ Mitigation measures
    - ▶ Penalties for withholding
    - ▶ Other measures

# The Market Monitoring Unit at the NYISO

## ➤ NYISO: Organizational Structure





# **MMP 2007 Plan**

# MMP 2007 Plan

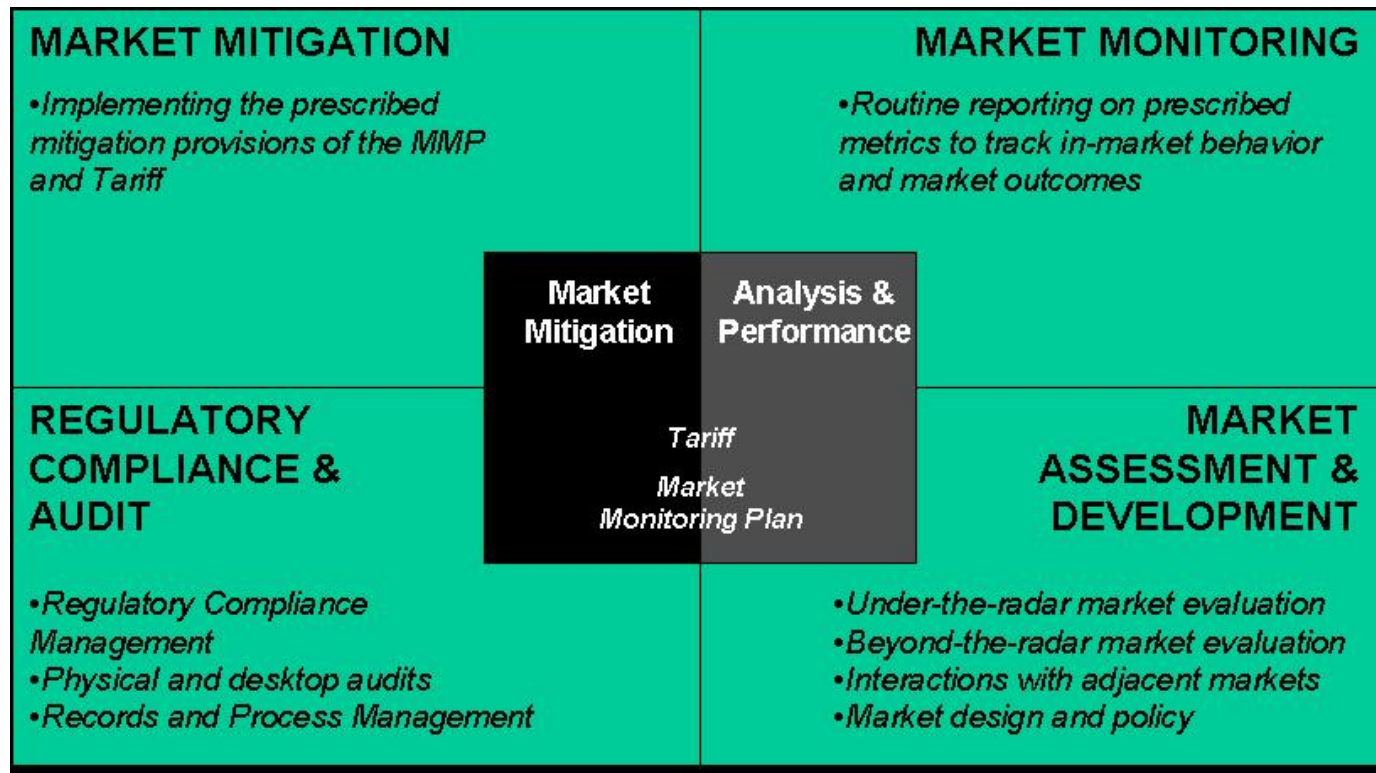
## ➤ July 2006-October 2006

- *1. Reviewing MMP function and focus*
- *2. Reviewing current plans –audit, IT, detailed market assessments*
- *3. Reviewing regulatory and tariff compliance*
- *4. Reviewing adequacy of market reports*
- *5. Reviewing procedures*
- *6. Reviewing staff activities*
- *7. Reviewing forward issues and events*

# MMP 2007 Plan

## ➤ Strategic Goal

- *Maintain compliance with our mandated obligations*
- *Continue to build 4 key capability areas:*



# MMP 2007 Plan

## ➤ Priority Project Areas

- *Reference pricing systems/procedures –more automation and greater flexibility*
- *Procedural automation and Lean Six Sigma roll-out*
- *Full review of market reports and assessment metrics*
- *Building a rapid response capability to better support priority market issues*
- *Building a policy response capability*
- *Improve monitoring of developments in adjacent and related markets that could impact the markets that the NYISO administers*