

Market Monitoring in the New England Regional Market



NARUC Energy Regulatory Partnership Program

*The Energy Regulatory Commission of the Republic of Macedonia
and*

The Vermont Public Service Board

by

Sandra Waldstein

Vermont Public Service Board

May 25, 2005



Monitoring of Wholesale Market

- ❖ Wholesale electric markets are integrated across the region
- ❖ Market Monitoring is a specialized function
 - Requires access to region-wide data
 - Requires detailed analysis of bids, clearing prices, and costs
 - Cannot be done on a state-wide basis
- ❖ New England RTO has responsibility for monitoring of wholesale electricity market



RTO-NE Market Monitoring

Two Levels of Market Oversight

RTO internal market monitoring unit

- Reports to RTO CEO
- Monitors compliance with market rules
- Screens for anti-competitive behavior
- Investigates unusual bids, prices, activities
- Undertakes market mitigation where necessary
- Evaluates market performance
- Prepares weekly, quarterly, annual reports
- Recommends rule changes where required

RTO independent (external) monitor

- Reports to RTO Board of Directors
- Assesses RTO markets
- Provides independent advice on significant market changes
- Identifies problems and recommends appropriate action
- Conducts independent studies



Market Information

- ❖ Market monitors have access to all market information necessary to fulfill their responsibilities
 - Real time data
 - Actual bids
 - Clearing prices
 - Costs (if necessary for mitigation)
 - Any other information upon request

- ❖ Information available to Market Monitor can be confidential
 - Bid data is held in confidence for six months to prevent competitive abuse
 - Clearing prices are available immediately
 - Cost information is confidential between RTO and participant
 - States can access confidential information only after a formal request to the RTO and only if the state agrees to treat such information as confidential



Monitoring Tools

- ❖ Daily, hourly and minute-by-minute information such as market volume, congestion, load forecasts
- ❖ Data analysis such as correlation and other statistical manipulation
- ❖ Benchmarks such as price/cost ratios
- ❖ Concentration indices such as HHI, Lerner index



RTO Monitoring Actions

❖ Compliance

- Goal is to ensure compliance with market rules

❖ Mitigation

- Infractions are dealt with individually; if problem not remedied sanctions will be applied

❖ Proposed Rule changes

- Repeated or serious problems may indicate the need for changes to the market rules



Market Monitoring and the States

- ❖ States are responsible for actions of retail utilities
- ❖ Wholesale costs comprise a significant portion of retail rates
- ❖ States have an interest in healthy wholesale markets
- ❖ States work closely with RTO market monitor
 - Regular briefings
 - Ad hoc meetings when problems arise
 - States have the ability to contact the market monitor at any time
 - States can access confidential information when needed



FERC OMOI

- ❖ FERC's Office of Market Oversight and Investigation monitors the nation's electricity and gas wholesale markets
- ❖ OMOI works closely with the regional RTO/ISO market monitoring units
- ❖ OMOI also looks for market anomalies *across* the regions
- ❖ OMOI provides regular briefings to the states



FERC OMOI Briefings

- ❖ Market overview for each region
- ❖ In depth analysis of current issue
- ❖ Market information
 - Physical infrastructure
 - Prices and market analysis
 - Company financials
 - Weather forecasts and implications
- ❖ Keeps states informed of national and international trends



Dispute Resolution

- ❖ Regional problems are brought to the attention of the ISO and its Markets Committee
 - Issues are debated here
 - Issues that can't be resolved are subject to ADR – alternative dispute resolution
 - Any participant can file a protest at the FERC
- ❖ Hotlines are also available
- ❖ States commissions will intervene if the state's interests need to be represented



QUESTIONS?