

Market Monitoring Pilot Plan for South East Europe

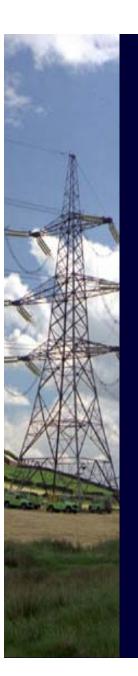
Presented to:

MARKET MONITORING DESIGN WORKSHOP

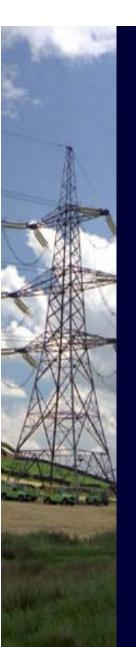
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- Market monitoring is a key function that provides significant benefits to market participants, consumers, and the TSO-
 - ✓ Independent Monitoring help traders and consumers by identifying market power and providing transparency
 - ✓ Independent market monitoring helps maintain the integrity and stability of the markets and services facilitated by the TSO and identify improvements in market rules and services;
- Monitoring and Transparency has been widely recognized:
 - ✓ ERGEG;
 - ✓ EFET;
 - ✓ EURELECTRIC;
 - ✓ ETSO
 - ✓ EC





Market Monitoring Elements and Objectives





Market Monitoring Elements

- Development of Market Monitoring Plan (January 2007)
 - ✓ Design Workshop solicits input
- Collection and Analysis of Data (Staring Today)
 - ✓ In accordance with Plan
- Periodic Reporting of Data collection Progress and Analytical results –
 - ✓ Monthly and Quarterly (starting January 2007);





Market Monitoring Plan Objectives

- Detect potential anticompetitive conduct through screens and indices
 - ✓ Analyze individual participant conduct identified in screens
- Detect flaws in market rules and/or operations
 - ✓ e.g., interface capacity estimates and allocation
- Improve market transparency





Market Monitoring Plan

- A primary concern of monitoring is identifying periods of congestion and monitoring conduct during those periods
 - ✓ Congestion events are indicated by various markers
 - Reliability actions that curtail transactions or load
 - Transmission capacity is zero
- When congestion occurs, conduct is analyzed to determine whether the congestion has been caused strategically or exploited strategically





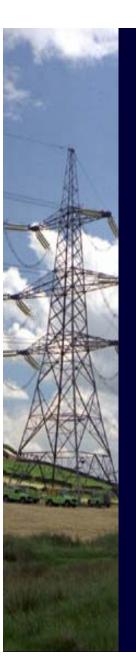
Activities Around Congestion Events

- Outages
- High Sales Prices
- Out-of-Merit Dispatch
- Managing Congestion Relief Procedures
- Modeling available transmission capability

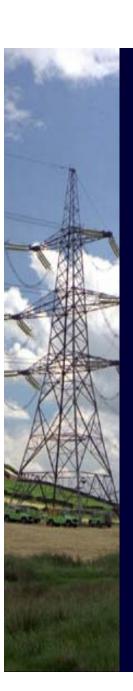


Transparency

- A primary transparency issue is calculation and allocation of interface capacity
- Other market data will also be made available to participants;
 - ✓ Supply data;
 - generation capacity statistics and availability
 - Tenders and procurement processed
 - ✓ demand data
 - Load data

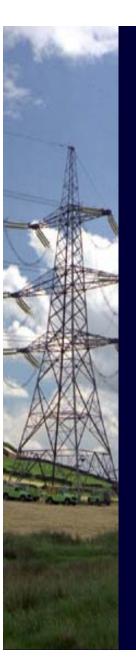






- The Market Monitor is your Friend
 - ✓ Market monitoring offers "seal of approval" and provides TSO political "cover" for changes;
 - ✓ In our experience, almost all instances of market monitoring investigation and reporting, the result is the endorsement of practices undertaken by the TSO or market participant;
 - ✓ Issues are typically resolved through direct dialogue with the TSO/market participant with no adverse publicity





Implementing the Pilot Plan





Getting Started

Getting Started • We need your help -- Today



How to Help Today

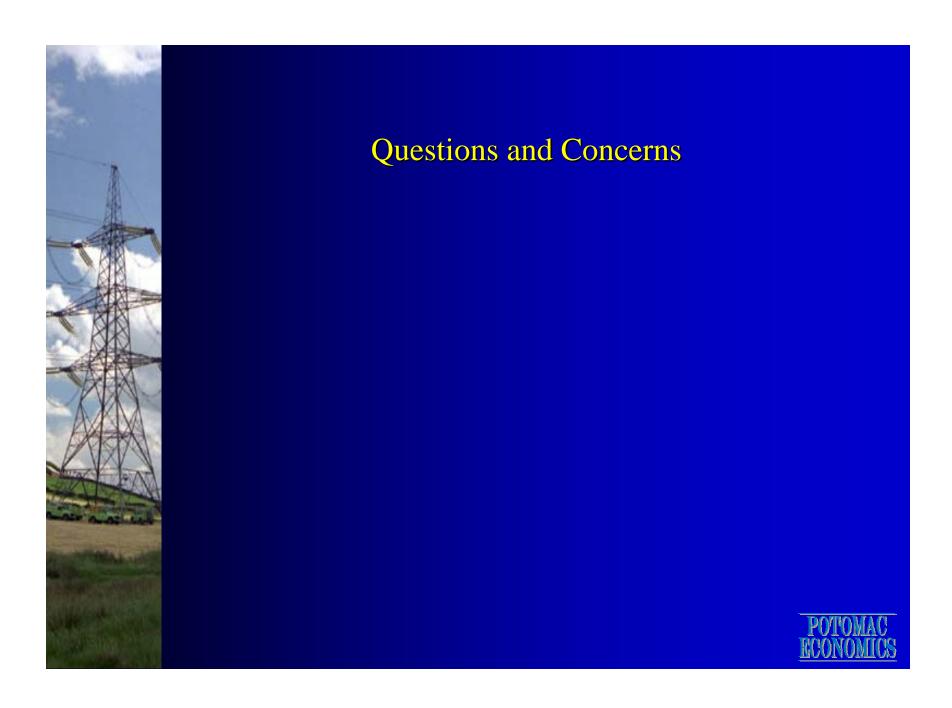
- We need a primary contact person from each TSO
- We ask you to provide details in Today' presentations with regard to data availability
- Time is a constraint
 - ✓ Please indicate only where data may be problem





What Happens tomorrow?

- We catalogue the data presentations and begin immediate follow-up with contact person you indicated;
- We anticipate a progress report on data collection at the end of January;





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Dr. Sinclair is a Vice President at Potomac Economics, which specializes in economic and strategic consulting to energy clients. Potomac Economics serves as the Market Advisor for the New York ISO and ISO New England and as the Independent Market Monitor for the Midwest ISO, Alliance RTO, and Southwest Power Pool.

Dr. Sinclair received his Ph.D. in economics from the University of Pittsburgh in 1993 and since then has been engaged as an economic consultant in the energy industry. He has testified in various state and federal jurisdictions on a range of economic issues, especially electric power industry issues, antitrust, and regulation. Dr. Sinclair has published papers in academic and professional journals on matters of Law, economics, and regulation.