

RTO WEST

Market Monitoring Work Group's Recommendations to the Regional Representative Group July 19, 2000

A. Organization/Governance

- MMU is part of the RTO staff
 - ◆ Board appoints, supervises, evaluates, disciplines the MMU Executive
 - ◆ MMU Executive hires, supervises, evaluates, disciplines the MMU staff
- Regular course of business (general monitoring, dealing with design flaws and efficiency improvements):
 - ◆ MMU coordinates with appropriate RTO staff members and attempts to resolve at staff level
 - ◆ If the MMU believes that staff is not cooperating, the MMU has recourse up the chain of command
 - * Chief Operating Officer,
 - * Chief Executive Officer, and
 - * As forum of last resort, Board
 - ◆ If issues are raised to the Board, the Board can bring whatever resources to bear that it finds appropriate, including the use of outside consultants
- Anomalous market performance:
 - ◆ MMU coordinates with appropriate RTO staff members and brings issue to the CEO's attention and, as detailed below, the Board must ultimately decide whether to report anomalous market performance to the appropriate regulatory agency
 - * When the MMU and the CEO (or designee) agree to recommend reporting, the CEO brings recommendation to Board
 - * When the MMU recommends reporting but the CEO (or designee) disagrees, the MMU can bring directly to Board
 - * When the CEO (or designee) recommends reporting but the MMU disagrees, the COE (or designee) can bring directly to Board
 - * When the MMU is put on notice of anomalous market performance, but both the MMU and the CEO (or designee) agree it should not be reported, the CEO reports anomalous market performance and the MMU/CEO's(or designee's) conclusion to Board
- Institutional safeguards will be designed to ensure appropriate level of independence of the MMU, especially in instances where the RTO is market participant and procedural safeguards will be designed to protect due process of participants

B. Markets to be Monitored

- MMU will monitor RTO Markets
- MMU will periodically assess and report on impact of non-RTO markets on RTO operations and vice versa (monitoring will be on limited basis as more fully developed in the MMU process)
- MMU will monitor operational behavior

C. Scope of Activity of MMU

- MMU will:
 - ◆ Collect
 - ◆ Disseminate (some data will be disseminated, but the scope and timing are an open issue)
 - ◆ Evaluate
 - ◆ Identify
 - ◆ Work with participants to resolve conduct issues
 - ◆ Make recommendations to correct design flaws and improve efficiencies
 - ◆ Prepare report (including mitigation recommendations) for Board (Board makes decision whether to report anomalous market performance to appropriate regulatory entity)

D. Specifics of Market Monitoring Mechanism

- The process must:
 - ◆ Achieve work group goals
 - ◆ Afford due process to all participants
 - * When data alerts the MMU of anomalous market performance, process should, at a minimum, specify when and how party should be notified, address confidentiality issues, set a standard for how the RTO decides when to report to regulatory agency
 - ◆ Provide the Board the ability (after it has complied with procedural safeguards to ensure due process) to act quickly to change the RTO's rules and market design as appropriate after consideration of the MMU/staff recommendations regarding design flaws or market inefficiencies, especially in the first few years of the RTO's existence
 - ◆ Accommodate differing jurisdictional requirements for market participants and transmission owners (in particular with respect to Canadian participants)
 - ◆ Provide the specifics regarding the information that will be collected and maintained by the MMU
 - ◆ Provide the details regarding how non-RTO markets will be periodically assessed

- ◆ Provide specifics regarding dissemination of information, including the type of information that will be released and the timing of the release
- ◆ Provide guidance on how the MMU professional staff will objectively evaluate market performance and identify anomalous market performance (industry standards should be described or identified that could be considered by the MMU staff to aid their professional judgment)
- ◆ Provide that the RTO does not have superior access to work product of the MMU to avoid conflict of interest issues
- ◆ Establish communication protocols between different units of the RTO staff;
- ◆ Not distinguish between the RTO and other market participants for purposes of the process (the RTO gets the same treatment as others)
- ◆ Provide for an annual evaluation of the RTO's design's impact on the market
- ◆ Detail how operational behavior is to be monitored
- ◆ Be timely and cost effective

E. Staff

- Tentative recommendation that the MMU have the following areas of expertise represented on its staff: economics, business/commercial (e.g., risk management, commodities, electric power system operation and markets), finance, engineering, statistics, data management, and legal. These will not all be full-time positions. In addition, the MMU should have the ability to retain outside consultants.