

**Northwest RTO
Market Monitoring Work Group
June 12, 2000**

Agenda

- 10:30 - 10:45* Introductions
Review Agenda
- 10:45 - 12:30* Review/Discuss/Modify Market Monitoring Goals and Issues (*See Attachment A*)
Identify Additional Goals
Identify Additional Issues
Remove Issues?
- 12:30 - 1:30* Lunch
- 1:30 - 3:00* Review/Discuss/Modify/Finalize Market Monitoring Work Plan Assignments
- 3:00 - 4:15* Discuss and, if Possible, Resolve First Tier Issues
- 4:15 - 4:30* Discuss June 22 Workshop
- 4:30 - 5:00* Establish Meeting Schedule

ATTACHMENT A

Market Monitoring Goals and Issues as of June 6, 2000

Goals

From 5/22 Discussion

Order 2000 Compliance
Monitoring Program That Works/Tailored to the Northwest
“Market First” – Monitoring Program That Acts as a Backstop to the Market
Cost Effectiveness

Possible Additional Goals

Monitoring Program that Does Not Undermine Market
Adaptability
Trust

Issues

Define the RTO’s Role in Monitoring for Anti-Competitive Behavior in the Transmission and Ancillary Services Markets (*RRG Consensus Issues List*)

Scope of “Order 2000” Market Monitoring Mechanism [*Workshop Topic*]

Monitor to Detect:

Design Flaws
Abuses of Market Power
Violation of Market Rules (Alternative/Addition to Abuses of Market Power)
Opportunities to Improve Efficiencies

Propose Appropriate Actions

What is Market Power [*Workshop Topic*]

Monitoring Function

What Markets Will be Monitored [*Workshop Topic – What Does Order 2000 Require*]

RTO Markets – What Will They Be
Balancing Market
Congestion Management Market
Ancillary Services Market

- Provision of RAS
- Other Markets
- Limit to Spot Market, Include Forward Markets
- What if no Power Exchange
- What Information [*Workshop Topic*]
- Realm of Possibilities
- What Information is Available from RTO Operations
- What Information does the Market Monitoring Mechanism Need
- What Questions do Market Monitoring Mechanisms Ask
- Reporting Information
- To Whom (FERC/State Regulatory Agencies/Others)
- When (Immediate/Monthly/Yearly)
- Make Reports Public; if so, is Time Delay Necessary

Mitigation of Market Power¹

- Define the Nature of Restrictions, if any, that Might be Placed on Market Participants to Mitigate Market Power Problems (*RRG Consensus Issues List*)
- Minimize the Exercise of Monopoly Power by Transmission or Generation Owners (*Residential Priority Issue – Shared with Implementation and Ancillary Services*)
- Mitigate any Competitive Advantages Accruing from the Operation of a Control Area (*Residential Priority Issue – Shared with Implementation and Ancillary Services*)
- Prohibit Preferential Treatment of Affiliates/Ensure Grid Interconnection Requirements are Fairly Applied to all Resource Providers (*Residential Priority Issue – Shared with Implementation and Ancillary Services*)
- Develop Mechanisms for Mitigation of Undue Market Power in Markets Operated by the RTO, Including those for Ancillary Services and Provision of Remedial Action Schemes (*States Priority Issue – Shared with Ancillary Services Work Group*)

¹ During the 5/22 discussion, the work group disclaimed responsibility for designing the RTO structure and its “markets”, and agreed that there would need to be close coordination with the work groups who have that responsibility. However, a subtlety is present in the RRG and individual party issues listed above, that has been raised by at least one workshop leader. When designing the congestion management/ancillary services markets (for example), are the Congestion Management/Ancillary Services Work Groups responsible for designing systems that minimize or mitigate market power, or is it someone else’s responsibility, after the proposals have been developed, to evaluate them, determine whether there are market power issues, and try to fix the problems (or provide input to the originating work group) before the proposals are implemented? (This is distinct from identifying market power abuses after the fact or even monitoring for design flaws after the fact.) If the other work groups are not responsible for this, who is? The Market Monitoring Work Group will need to discuss this further on June 12th.

Develop Reasonable Rules for Mitigation of Market Power in Transmission Rights and Ancillary Services (Including Must-Run Energy in Load Pockets) (*Independent Power Producers Priority Issue*)

Focus Mitigation of Generator Market Power on Reasonable, Interim Bid Caps for Existing Resources that are Determined to Have Market Power (*Independent Power Producers Priority Issue*)

Enforcement

Define Enforcement

How Much Discretion Should RTO Have

How are Violations Detected (Peak hours, other times)

What is the Appropriate Enforcement Mechanism

Penalties

Bid Caps

Other

Need for Clearly Articulated Rules/Penalties

Possibility of Dispute Resolution to Determine Infraction/Penalty

How to Make Sure Penalty is not Worse Than Infraction

How to Make Sure Enforcement Efforts Don't Undermine Market

What Incentives Could There be (Rather Than Limit Focus to Penalties)

(The following questions *may* be theoretical, given Order 2000:

Is the RTO the Appropriate Entity to Determine when Violation has Occurred and

Apply Penalties

Should Exercise of Market Power be Penalized)

Monitoring the Market Monitor

Responsibilities/Responsiveness/Liability of RTO

Even as a Provider of Last Resort, the RTO is a Market Participant (Which Presents a Conflict of Interest) and Will Need to Monitor its Own Activities

What Models Make Competition Work

How to Develop Trust

Costs

How Fully Developed does the Market Monitoring System Need to be When the RTO First Becomes Operational

Details

Tariff Language

Specifics of Market Monitoring Mechanism

Who Should be Involved

How Many

Responsibilities/Tasks