

---

# **Session 4: Monitoring Tasks and Process**

RTO West Market Monitoring Workshop  
Portland, Oregon  
June 22, 2000

# RTO West Market Monitoring Workshop

---

Session 1: Market Monitoring: Why

Session 2: Who Will Monitor; the RTO's Role

Session 3: Organization and Governance of Monitoring

→ **Session 4: Monitoring Tasks and Process**

Session 5: Authority to Address Problems

Session 6: Access to, Disclosure of Sensitive Information

Session 7: Market Power Issues

## Scope and Focus of Session 4

---

- Day-to-day monitoring functions and processes
  - Monitoring, analysis, recommendations
  - Response to complaints; investigations
  - Reporting
- The “big issue” of stronger authority to address problems is the subject of the next session.
- Issues around confidential information are also in a later session.

## **Activities To Help Prevent/Detect/Address Problems (session 2 slide)**

---

- **Collect and disseminate (non-confidential) market information** to provide market transparency.
- **Observe markets, detect** phenomena that may indicate problems are present and additional analysis is warranted.
- **Analyze markets to identify problems and causes**, distinguish normal market phenomena from problems.
- **Develop recommendations** to address problems; initiate the process to gain approval for changes.
- **Implement changes as authorized**, including short-term fixes, longer-term solutions.

# Day-to-Day Monitoring

---

- Review bids and schedules for anything unusual or unexpected; attempt to understand the reasons through analysis, discussion with participants, etc.
  - Did software limitations or market design weaknesses cause a participant to pursue an unusual bidding strategy in an attempt to achieve its valid business purposes?
  - Did the software correctly handle unusual bidding strategies that may not have been anticipated by its designers?
  - Any evidence of unilateral market power or gaming?
  - Any evidence of coordination of bidding strategies?
- In this sense, monitors are always “investigating”

## More Extensive Investigations of Specific Participant Conduct

---

Policies typical of existing ISOs:

- MMUs have authority to investigate any conduct as they deem warranted
- Market Participants or other interested entities can confidentially bring information, request an investigation
- MMU acts on any such complaint or request, and performs an investigation, only if it considers it warranted
- No requirement to inform a participant it is under investigation

## When An Investigation May Lead To Corrective Action

---

- MMU will engage in discussions with the participant(s) to attempt to resolve identified problems informally
- MMU can issue a “demand letter” requesting a participant to discontinue actions the MMU believes violates the tariff, rules, procedures, etc. (PJM) or that the MMU deems improper (NY)

# Explicit Statement of Participants' Rights (from Mountain West ISA Proposed Monitoring)

---

- Participants' Rights:
  - To be promptly notified of a perceived infraction
  - To explain an incident before a full investigation is undertaken
  - To comment on any MMU report in which the participant is the subject of an investigation or proposed remedial action
  - To explain its position to the ISA before remedial actions are implemented
  - To initiate ADR
  - To request a hearing before the appropriate regulatory body as an alternative to further participation in the ISA's process.

# Reporting Requirements of Order 2000

---

- Reports on opportunities for efficiency improvements, market power abuses and market design flaws must be filed with the Commission and affected regulatory authorities
- Periodic assessments of how behavior in markets operated by others affects RTO operations, how RTO operations affect efficiency of markets operated by others
- Also assess whether RTO involvement in markets favors its own economic interests over those of its customers or members.

# Reporting Requirements of Existing ISO Monitors

---

- Regular reports on market performance and efficiency, problems and opportunities
  - CA-ISO: bimonthly and annual
  - NE-ISO: monthly, etc.
- Occasional reports on specific issues and problems, with analysis and recommendations as appropriate
  - CA-ISO: Series of reports on A/S markets: problems, recommendations, progress in improving (*ER98-2843*); many other reports on various issues and problems.
- Reports requested by government agencies

# Monitoring Tasks and Process: Discussion

---