



Market Monitoring

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Mission of independent market monitors

“Each independent system operator ... must include a mission statement ... that identifies the Market Monitoring Unit’s goals, including the protection of consumers and market participants by the identification and reporting of market design flaws and market power abuses.”

FERC Order 719

To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.

Department of Market Monitoring Mission Statement
CAISO Tariff, Appendix P

Core functions of independent market monitors (FERC Order 719)

1. Review and report on the performance of wholesale markets, including quarterly and annual reports.
2. Evaluate existing and proposed market rules, and provide recommendations.
3. Notify FERC Office of Enforcement when a market participant or the ISO has engaged in conduct that may require investigation.
4. Market monitors may also perform functions related to inputs for market power mitigation.
 - Bids used in mitigation, cost review, etc.

CAISO Department of Market Monitoring

- Internal business unit of the CAISO
 - 16 staff (economics, data analysis, engineering)
 - Access to all CAISO/EIM market and operational data
 - Work closely with ISO staff on market design and ongoing monitoring.
- Independent from CAISO management, as required by FERC Order 719.
- Work and communicate closely with FERC and state Public Utility Commission staff.

Market power mitigation in the EIM

- Required to protect third party transmission customers reliant on EIM authority for imbalance energy service.
 - Smaller load serving entities, independent/renewable generators, etc.
- Most participants must file for special EIM market based rate authority from FERC.
- No *must offer* obligation for generation, but must offer enough to meet flexible ramping requirements for each EIM balancing area.
- Unit specific bid mitigation (limits) triggered only when EIM areas are separated by congestion from rest of CAISO/EIM system.

Current EIM market design issues

- Flexible ramping requirements for each EIM balancing area.
- Market power mitigation modifications:
 - Reduce when unit specific bid limits are triggered.
 - Limit exports from EIM area when bid mitigation is triggered.
 - More flexibility in setting/updating unit specific bid limits.
- Compliance with FERC Order 831.
 - Don't raise price cap for imports into CAISO from \$1,000/MW to \$2,000/MW without cost justification.
- EIM day ahead market

For more information

- Department of Market Monitoring webpage
 - <http://www.caiso.com/market/Pages/MarketMonitoring/Default.aspx>
- CAISO Tariff, Appendix P
 - http://www.caiso.com/Documents/AppendixP_CAISO_DepartmentOfMarketMonitoring_asof_Apr1_2017.pdf
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