



# Briefing on MRTU Market Monitoring Readiness

Keith E. Casey, Ph.D.  
Director, Market Monitoring

ISO Board of Governors Meeting  
General Session  
October 28-29, 2008

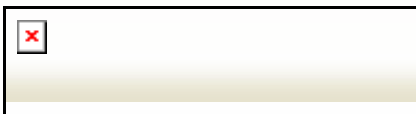
# Market Monitoring is ready for MRTU

- We have identified key activities/areas to monitor
- We have defined monitoring procedures/metrics
- The tools are in place
- We are fully staffed and staff are trained
- Response capabilities are in place
  - Including reversion – if necessary
- Our readiness will be further enhanced over next three months



## We have identified key areas of focus

- Local Market Power Mitigation (LMPPM)
- Unit operating characteristics (e.g., operational ramp rates)
- Uninstructed deviations
- Inter-ties
  - Modeling (e.g., IBAA, SPTO)
  - Bidding, scheduling, and pricing
  - HASP vs. actual flows, HASP vs. day-ahead
- Market uplifts
- Load under-scheduling



# Our monitoring approach has been reviewed by the MSC and is consistent with Eastern LMP markets

- Monitor Market Performance
  - Monitor market outcomes and participant behavior
  - Compare to competitive and pre-MRTU benchmarks
  - Identify market power or manipulation
  - Investigate anomalous market outcomes
- Report Key Findings
  - Board reports
  - White papers
  - FERC staff and MSC updates
  - FERC Quarterly Reports
- Act on Market Issues
  - Escalate market issues
  - FERC Enforcement Process
  - Trigger reversion procedures as last resort



# We have our tools ready and staff is in place

- **Market Monitoring Database and Tools**
  - Analytic approaches identified and partially automated
  - Analysis and metrics being discussed and reviewed by MSC
  - Additional automation to be completed over next 2-3 months
- **Comprehensive Market Metrics and Analytic Approaches**
  - Tested and refined during Market Simulation
  - Reviewed by MSC
- **Fully Trained Staff**
  - Extensively trained on MRTU/LMP Markets
  - Visits with eastern market monitoring units (PJM, ISO-NE)
- **DMM MRTU Market Simulation Environment**
  - Offline version of actual market software
  - System in place and already being used



## Rapid Response Team will be ready to quickly address any market issues that may arise after MRTU goes live

- Cross-divisional Team
  - Market Monitoring and Market & Product Development
  - Operations, including Settlements
  - IT and Legal
  - Communications, Client Relations, Regulatory Affairs
- Monitoring areas:
  - Market System/Performance Issues
  - Market Design Deficiencies
  - Market Manipulation and Gaming
- Frequent team meetings prior to and after the start of MRTU



# The ISO has adequate tariff authority for action and FERC support

- We can very quickly utilize existing authority
  - Administrative Pricing – market intervention
  - Exceptional Dispatch
  - Business Practice Manual (BPM) – modifications
- Tariff waivers are available
  - Temporary relief from specific tariff requirement
  - Does not require board approval
- FERC has publicly expressed their commitment to quick attention to any issues we bring forward
  - Market rule/design changes
  - Inappropriate market behavior
- If issues are ultimately un-resolvable reversion will be available for the first 30 days after MRTU go live



# Summary of DMM Market Simulation Report

- Report focused on two main areas
  - General market performance – September
  - Special topics
    - Local Market Power Mitigation
    - Ramp Rates
    - Use limited energy resources
    - Divergence in IFM and HASP prices
- Key findings
  - Market performed reasonably well and generally consistent with expectations
  - Further review and analysis warranted over the next month
    - Extreme LMPs in Real Time Market
    - Price divergence between Day Ahead and Real Time Markets
    - Reliance on non-RA units in RUC
    - Effectiveness of Local Market Power Mitigation

