

## **Market Surveillance Committee Opinion of FTR Market Monitoring**

**October 13, 1998**

The Market Surveillance Committee (MSC) considered the four proposals under discussion for monitoring and information disclosure requirements in the secondary Firm Transmission Rights (FTR) markets. The alternatives are:

1. **Minimal Monitoring and Disclosure.** The market participants are not required to disclose how many FTRs they acquire or hold as a result of secondary FTR market transactions, unless they wish to invoke the FTR scheduling priority. Under this alternative, disclosure of the FTR price or quantity traded is voluntary.
2. **Disclosure and Monitoring of FTR Concentration.** FTR holders are obliged to disclose all secondary FTR transactions, including unbundled transfer of scheduling priority and financial entitlement. However, they are not required to disclose transaction prices.
3. **Monitoring of FTR Concentration and Price with Anonymous Price Publication.** All FTR transactions (prices and quantities) must be registered with the ISO, whether the FTR transaction involves the transfer of scheduling priority, financial entitlement, or both. However, the ISO will treat individual transaction prices as confidential information, and will publish only aggregated price indices (e.g., average prices) for each path.
4. **Complete Price Transparency.** All FTR transaction quantities and prices would be registered and made available as public information, whether the FTR transaction involves the transfer of scheduling priority, financial entitlement, or both.

The MSC stated in its recommendation on the size of the initial release of FTRs that firms may be able to use their FTR holdings to influence prices in PX and ISO markets and that this activity may also adversely impact system reliability. For these same reasons, the MSC believes that monitoring of the concentration of FTR scheduling priority as well as financial entitlement is necessary. Without information on the ownership of both of these rights, the MSC and the ISO's Market Surveillance Unit will find it virtually impossible to determine whether or not FTRs are being used in a manner that is harmful to the operation of PX and ISO markets and system reliability. The MSC also recognizes the need for publication of price information to facilitate the operation of secondary FTR markets, and to help evaluate relative efficiency of the FTR and Adjustment Bid Markets (ABM). Moreover, with higher FTR release rates, FTR prices on a link may be as important as the inter-zonal congestion prices as valid signals to be used in determining the location and magnitude of transmission investments. These needs are satisfied with publication of appropriate price information without necessarily publishing individual transaction prices. For all of these reasons, the MSC believes that alternative 3 balances the competing goals of smooth functioning congestion management markets with the desires of market participants to keep confidential transaction-level prices.