MARKET SURVEILLANCE COMMITTEE

Market Power Mitigation: Implementation Issues

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Emerging Challenges in Market Power Mitigation

- Expansion of EIM means many vertically integrated utilities are the largest suppliers
- Changes to retail structure in California means regulated utilities are often large net suppliers
- Emerging role for non-generation resources greatly complicates derivation of default bids
- Less robust gas markets in some EIM areas also complicates DEB derivations

Issue 1: when to mitigate?

- The blunt measure of net seller/ net buyer over-simplifies the likely incentive effects
  - Need for a more nuanced, continuous measure of net-supply
  - How do day-ahead and RTM markets differ in this regard?
  - What are possible ”feed-back” effects of using DAM positions for net supply in real time?
- What if real-time markets feature pivotal suppliers only because competitive generation went un-dispatched in earlier markets?

Issue 2: Who to Mitigate?

- LMPM mitigates all suppliers providing counter-flow to uncompetitive constraints
  - Even very small suppliers
- Reasons why
  - Computationally difficult to identify full set of “potentially” pivotal suppliers?
    - Time to examine how serious this issue is
  - The 3 pivotal supplier test is only a rough approximation of true market power
    - This cuts both ways, already a conservative standard

Summary

- The goal behind all market power mitigation is to mitigate seriously harmful market power while also avoiding potentially inefficient proscriptive dispatch
- Emerging trends in the western market make this an important time to re-examine some of the assumptions behind implementation of mitigation at both the system and local level.

Thank you

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