

Role of RTO/ISO Market Monitors

Summary of Discussion Points

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I. Role as Market Monitor in the CAISO Organization and with FERC

- CAISO Department of Market Monitoring (DMM) Mission - To provide independent high quality analysis of key market issues in a fair, competent, thorough, and professional manner.
- DMM independent analyses and reports provide valuable information to state and federal regulators/policy makers, CAISO Governing Board and Management, CAISO internal departments (Operations and Market and Product Development), and CAISO market participants.
- Primary Responsibilities of CAISO Market Monitoring Unit are consistent with those described in the Commission's Policy Statement on Market Monitoring Units.
 - Identify ineffective market rules and tariff provisions.
 - Provide analysis and recommendations to correct ineffective rules and tariff provisions.
 - Identify potential anticompetitive behavior by market participants.
 - Review and report on the performance of wholesale markets.
 - Extent to which prices reflect competitive outcomes
 - Structural competitiveness
 - Effectiveness of market power mitigation rules
 - Effectiveness of markets in signaling needed investment in generation, transmission, and demand response infrastructure
 - Identify potential barriers that may impede the markets ability to provide needed investments
- Administer the CAISO Enforcement Protocols.
- Interactions with FERC Office of Enforcement
 - Routinely interact with FERC staff on various market issues ranging from assessing anomalous market outcomes (e.g., significant price excursions) to reviewing individual market participant behavior.

II. Market Monitoring Resources

- DMM Staffing – 13 fulltime employees
 - Director and 2 managers
 - 8 analysts – graduate degrees in business, economics, or engineering.
 - 2 Technical Assistants
- IT Support – DMM receives IT support (approx. 1.5 FTEs) to maintain a monitoring database and supporting analysis tools.
- Market Surveillance Committee – External independent committee of market experts whose role is to provide independent expert advice and recommendations to CAISO Management and Governing Board.
 - Frank Wolak – Stanford University
 - James Bushnell – UC Berkeley
 - Benjamin Hobbs – Johns Hopkins University
- Access to and interaction with other CAISO Departments is an important resource – DMM interacts frequently with the Operations Department and Market and Product Development on various on-going market issues or future market design initiatives.

III. Current Market Monitoring Priorities

- Current over-generation conditions during off-peak hours - primarily due to above normal hydro conditions.
- Summer market conditions
 - Competitiveness of Ancillary Service Market
 - Reliability requirements for unloaded capacity in Southern California (SP26) and procedures for meeting those requirements.
- CPUC Resource Adequacy
 - June 2006 Implementation
 - Future enhancements
- MRTU Readiness
 - Developing a MRTU Market Monitoring System
 - Staff training on MRTU market design.