

# Market Monitoring: The Role of OMOI and MMUs

Presented to:

**Energy Markets at the  
Crossroads**

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# Purpose Of Today's Talk

- Overview of OMOI's Monitoring Role
- Brief overview of what SMD says about MMUs
  - **How do MMUs fit into FERC's overall strategy?**
  - **What is an MMU?**
  - **What does an MMU do?**
  - **What will MMU analysis be used for?**

# OMOI Vision

**Vigilant oversight and vigorous enforcement of proper market rules ensure dependable, affordable, competitive energy markets to benefit end use customers and other participants.**

# OMOI Mission

**Guide the evolution and operation of energy markets to ensure effective regulation and protect customers through understanding markets and their regulation, timely identification and remediation of market problems, and assured compliance with Commission rules and regulations.**

# OMOI Functions

- **Assess market performance**
- **Ensure conformance with Commission rules**
- **Produce internal and external reports**

# FUNCTION: Assess Market Performance

- **Analyze market structure**
- **Analyze policy (regulations, market rules)**
- **Acquire and analyze commercial data**
- **Conduct market research (possibly including models)**
- **Advise Commission**

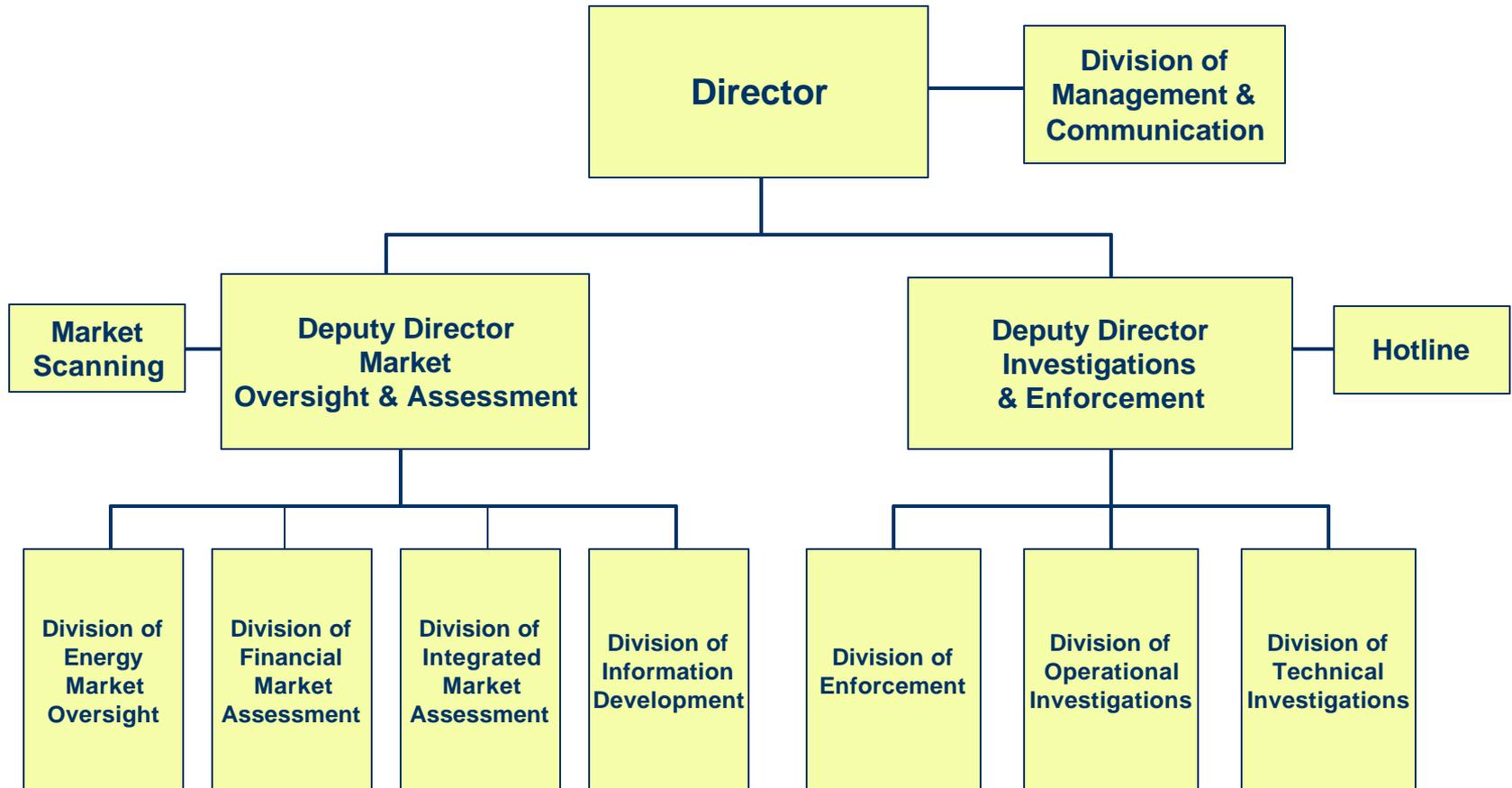
# **FUNCTION: Ensure Conformance With Commission Rules**

- **Verify compliance with rules and reporting requirements**
- **Investigate actions**
- **Facilitate dispute resolutions**
- **Enforce market rules**

# **FUNCTION: Produce Internal and External Reports**

- **Present state of energy markets**
- **Analyze trends and occurrences**
- **Provide early warning**
- **Make recommendations**

# OMOI Organization Design



# **FERC Hotline**

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**Enforcement Hotline (toll free)**

**1-888-889-8030**

# Commission Strategic Plan: Making Markets Work

- **Goal 1: Promote a secure, high quality, environmentally-responsible energy infrastructure through consistent policies**
- **Goal 2: Foster nationwide competitive energy markets as a substitute for traditional regulation**
- **Goal 3: Protect customers and market participants through vigilant and fair oversight of the transitioning energy markets**
- ***MMUs are a vital part of Goal 3 – They help make sure markets work***
- ***A key strategy for us is to integrate the Commission's market oversight and the work of MMUs***

# What is an MMU?

- **What SMD Says**
  - Independent of both market participants and ITP managers
  - Reports directly to the ITP Board and to FERC
- **ITP can hire MMU directly or contract the work out**
- **MMU can be physically onsite with ITP, or not**
- **In any case: Independent Market Experts**
- **Current MMUs**
  - PJM
  - NYISO
  - ISO-NE
  - CAISO
  - MISO
- **A key resource: Electric Inter-market Surveillance Group (EISG)**

# What Must an MMU Do?

- **Preliminary analyses**
- **Ongoing oversight**
- **Investigations**
- **Monitor the ITP?**

# Preliminary Analyses

**Before the Market Gets Going, Assess:**

- **Market concentration by type of generator**
- **Conditions for entry of new supply**
- **Demand response**
- **Transmission constraints and load pockets**

# Ongoing MMU Oversight

- **Focus on market functioning**
  - Market design flaws
  - Inefficient market rules
  - Entry barriers (including to distributed generation and demand resources)
  - Transmission constraints
  - Market power – economic and physical withholding
- **Report to FERC and ITP Board, discuss with others**
  - Report cards
  - Market events
  - Recommend rule and mitigation changes

# MMU Investigations

- **Monitor to ensure market players follow ITP tariff**
  - Help enforce ITP rules
  - Report to and coordinate with OMOI at FERC
- **Monitoring to include overseeing**
  - Physical withholding
  - Economic withholding
  - Availability reporting
  - Market manipulation
- **Market participant obligations**
  - Provide needed information
  - Factual accuracy in reporting
  - Cooperation with audits and investigations

# Reporting Requirements - Examples

- **Market clearing prices and congestion costs**
- **System condition – e.g., transfer capacity, outages**
- **Other key prices – e.g., fuel and related markets**
- **Load served from spot market**
- **Generator bidding patterns**
- **Relevant costs and operating parameters – e.g., start-up, no-load, maintenance, ramp rates, etc.**
- **Other information as needed**

# MMU's Matter

- **MMUs Matter – They *make sure markets work***
  - **First line of defense against market power and market dysfunction**
  - **Leading source of understanding best practices**