



MARKET MONITORING REPORT

Energy Market Committee
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Joseph E. Bowring
Manager
PJM Market Monitoring Unit



Market Power in Capacity Markets

- Market power is endemic to capacity market
- Supply side
 - Concentration of ownership is high
 - On average, three suppliers in monthly markets
- Demand side
 - Aggregate demand is known
 - Demand of individual participants is known
 - Demand is extremely inelastic
- Conclusion
 - Combination of supply and demand conditions means that market power is a persistent issue
 - Any redesign of the capacity market must include explicit market power mitigation rules
 - Redesign of the capacity market must take account of market power issues



Market Power Mitigation: Capacity

- Market power measured by reference to a competitive price
- Competitive price in the capacity market = marginal cost of capacity
- Firm energy related opportunity costs
 - Default opportunity cost: measure of external energy forward prices
 - Demonstration of higher firm energy related opportunity cost
- Capacity market related opportunity costs
 - Demonstration of capacity market related opportunity costs
- Direct marginal costs
 - Incremental costs associated with keeping capacity in the market
 - Incremental costs associated with building new generation, net of energy market and other net revenue sources
- Construct supply curve for capacity based on marginal costs
 - Market clearing price



Market Power in Capacity Markets

- Market power needs to be addressed
- Discussion of alternative market power mitigation methods is essential
- Discuss at MIWG



Market Monitoring Plan: Confidentiality

- **C. Confidentiality:**
 - 1. All discussions between the Market Monitoring Unit and Market Participants concerning the informal resolution of compliance issues and all demand letters sent to Market Participants initially shall remain confidential. [With regard to all Corrective Actions taken by the Market Monitoring Unit, including notification to the Members Committee or PJM Committees of a Market Participant's activities or filing a complaint with an Authorized Government Agency, the Market Monitoring Unit shall, to the extent appropriate, protect and preserve the confidentiality of confidential, proprietary, or commercially sensitive information.]



Market Monitoring Plan: Confidentiality

- 2. Except as provided in subsection 3, in exercising its authority to take Corrective Actions, the Market Monitoring Unit shall observe the confidentiality provisions of the PJM Operating Agreement.



Market Monitoring Plan: Confidentiality

- 3. Notwithstanding anything to the contrary in this Plan or the PJM Operating Agreement, the Market Monitoring Unit: (a) may disclose any information to the Commission in connection with the reporting required under section IV.A of the Plan, provided that any written submission to the Commission that includes information that is confidential under the PJM Operating Agreement shall be accompanied by a request that the information be maintained as confidential, and (b) may make reports, complaints, or other regulatory filings pursuant to section IV.B.4 of this Plan if accompanied by a request that information that is confidential under the PJM Operating Agreement be maintained as confidential.



Market Monitoring Plan: Confidentiality

- **3. Confidentiality:** [PJM shall protect, to the extent appropriate, confidential, proprietary, or commercially sensitive information provided under this section.] **Except as provided in section IV.C.3 of this Plan, the Market Monitoring Unit shall observe the confidentiality provisions of the PJM Operating Agreement with respect to information provided under this section if an entity providing the information designates it as confidential.**