



# **Additional Market Power Mitigation Measures for NICA Markets**

EMC  
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NICA Market Power Mitigation Issues

- Procedural Schedule
- Potential market power issues in NICA capacity market
- Potential NICA energy market power issue

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- EMC Meeting: 1-06-2004
- Stakeholders Meeting: 1-13-2004
- TAC Meeting: 1-15-2004
- EMC Meeting: 1-28-2004
- MC Meeting: 1-29-2004

- Potential market power issues in NICA capacity market
  - High concentration of ownership
  - Pivotal suppliers
- Goal
  - Limit market power in the capacity market
  - Minimize impacts on capacity market

- Proposed market power mitigation for NICA capacity market
  - Offer cap applicable to all units
  - Based on annual, avoidable, incremental costs of providing capacity
  - MMU calculation = \$30 per MW-day for generic CT
  - Generation owners have opportunity to demonstrate greater costs

- Proposed scarcity pricing for NICA capacity market
  - Offer cap increased under scarcity conditions
  - Offer cap = \$160 per MW-day under scarcity conditions = deficiency charge
- Definition of scarcity for capacity market
  - Less than 1% excess capacity
  - Total capacity = capacity resources + likely capacity resources

- Screening of auction results
  - MMU screening of offers
  - MMU determination of competitiveness of auction
  - If auction competitive
    - Auction results posted by PJM within 24 hours
  - If auction is not competitive
    - Auction is void
    - PJM will run another auction

- Potential market power issue in NICA energy market
  - NICA energy market not competitive on a stand-alone basis
  - Pathway unconstrained
    - One big energy market
  - Pathway constrained from PJM to NICA
    - Loss of competitive pressure from PJM
    - PJM cost capping authority (OA)

- Potential market power issue in NICA energy market
  - Pathway constrained from NICA to PJM
    - Normal conditions – PJM market limits market behavior in NICA
    - Extreme demand conditions in PJM and normal conditions in NICA – PJM market does not limit market behavior in NICA

- Definition of extreme market conditions in NICA
  - Forecasted daily demand plus real-time exports > (total supply capability – 2,000MW)
- Energy market mitigation will be lifted if there are extreme market conditions in PJM and in NICA

- Proposed market power mitigation for NICA energy market
  - Extreme demand conditions in PJM and normal conditions in NICA
  - PJM average LMP > \$500 per MWh
  - Cost cap marginal units in NICA
  - Higher of market price or cost plus 10%
- Goal
  - Limit market power in NICA energy market during very small number of hours