



Additional Market Power Mitigation Measures for NICA Markets

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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
- Potential market power issue related to sellers' choice contracts

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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

- 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

- Potential market power issues related to sellers' choice contracts
 - Sellers choose delivery point
 - Will choose low price bus as delivery point
 - Potential benefit from manipulating price at delivery bus
 - Day ahead: increment/decrement bids
 - Real time: operation of units
- Goal
 - Prevent manipulation of bus prices to increase delivery profits

- Potential data requirements to monitor market power issues related to sellers' choice contracts
 - Contracts
 - Contract delivery points daily