

# Offer Data Lag

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Monitoring Analytics

# Data Availability Changes: Background

- **In NSTAR Services Company, 92 FERC ¶ 61,065 (2000) (the “NSTAR Order”), the Commission required as follows:**
  - **ISO-NE to disclose individual bid data with a six-month lag.**
  - **Required similar bid disclosure for PJM, the New York ISO, and the California ISO.**
  - **It is important for bid information to be released to the public in order to permit interested parties to monitor the market.**
  - **Keeping the information confidential for six months before releasing the data will sufficiently protect the commercial sensitivity of the data.**



# Data Availability Changes: Background

- **On May 24, 2006, the Joint Board on Economic Dispatch for the Northeast (the “Joint Board”) issued its Study and Recommendations Regarding Security Constrained Economic Dispatch:**
  - **“ISO-NE ... should pursue, with market participant input, making market bid data available to the market with a shorter lag time.”**
- **In making this recommendation, the Joint Board noted:**
  - **“a shorter lag period would provide quicker public access to bid data, which would strengthen public monitoring of market behavior and help ensure confidence in the competitiveness of the markets; it would also enhance the ability of market participants to quickly identify inefficiencies.”**



# Data Availability: Background

- **In NEISO a stackholder process produced a proposal to go from six months to three months**
- **NEISO internal market monitor (Dr. Chao) concluded:**
  - **“three month period strikes a reasonable balance recognizing, among other factors, the value of enhanced market confidence and transparency as well as the concerns of the potential for collusive behavior facilitated by disclosure.” (ISONE’s Internal Market Monitoring Unit’s August 25, 2006)**



# Data Availability: Background

- **Dr. Chao’s central point is that “the earlier release of bid data adds transparency that generally helps the public to better understand the wholesale electricity markets.”**
  - **“Improved market confidence”**
    - **Earlier detection of market power problems or flaws in the design of market rules or mitigation measures.**
    - **Earlier public release of bid data will allow market participants and state regulators to supplement the market monitoring functions carried out by the internal and external market monitoring functions of the ISO.**



# Data Availability: Background

- **Dr. Chao recognized that the primary potential drawback of releasing data too early is that it could increase the chances that competitors could use the information to engage in collusive behavior or other forms of market manipulation.**
- **Less a concern to the extent that:**
  - **the market structure is competitive**
  - **market monitoring and mitigation procedures are effective**
  - **the bidding information becomes “stale” with time.**



# Data Availability: Core Concepts

- **Market efficiency requires price and product characteristic transparency**
  - **Decisions to buy or sell should be based on price relative to marginal costs/benefits**
  - **Requires timely and relevant information regarding prices**
  - **In efficient markets participants make their decisions to buy, sell, expand production, and to enter or exit the market on the basis of market prices and their *own* costs.**



# Data Availability: Core Concepts

- Improving *price* and product characteristic transparency tends to improve market efficiency
  - Important to look for markets/services where price transparency between marginal decision making and marginal effects is limited or absent
    - Operating reserve charges and credits, etc





# Data Availability: Core Concepts

- **Improving other data transparency does not improve market efficiency**
- **Information about underlying participant costs is not information that is needed to produce or maintain competitive market behavior or results**
  - **Providing this information will tend to reduce market efficiency, all else held equal**



# Data Availability: Core Concepts

- **Essential features of electricity markets make them prone to market power abuse**
  - **Inelastic demand**
  - **Limited storage and intratemporal substitution opportunities**
  - **Markets operates as a repeated game with a relatively small number of key participants**



# Data Availability: Core Concepts

- **Under these conditions**
  - **incentives to cooperate with rivals**
  - **Incentives to anticipate and react to the behavior of rivals**
- **Competitiveness is not improved via the public availability of competitor's underlying cost information.**



# Data Availability: Core Concepts

- **Such information is always more useful in undermining the competitiveness of a market than improving its competitiveness, particularly if the tool for efficiency improvement is via after-the-fact regulatory action.**



# Data Availability: Core Concepts

- **In choosing the lag in availability of offer data need to balance:**
  - **First order inefficiencies caused by increases in unilateral or collusive behavioral effects over time**
  - **Third order improvements made possible by earlier participant or regulator detection of inefficient behavior**
    - **Strengthened confidence in the market**



# Data Availability: Recommendation

- **Offer data lag: 3 or 4 months?**
  - **A longer delay would be preferable**
  - **Between the choices: 4 months**
  - **Limit seasonally relevant information**



# Data Availability: Proposal

- **4 month lag for public provision of data**
- **3 month lag for provision of data to FERC and state commissions**

