

# MMU Approach to Order 719 Compliance Filing

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March 9, 2010

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# RPM Must Offer Requirement

**The Order on PJM's 719 Compliance directs (at P 181): 129 FERC ¶ 61,250 (2009).¶**

- **PJM's proposed provision, at the Attachment M – Appendix, lacks a description of the standards that will be used to determine if a generation capacity resource is subject to the must offer requirement. Accordingly, we require PJM to revise its provisions, in its 90-day compliance filing, to address this matter.**



# RPM Must Offer Requirement

- **The MMU believes that ambiguity about the standards applicable to the must offer agreement resides primarily in OATT Attachment DD § 6.6 rather than Attachment M-Appendix § II.C.**



# Ambiguities in RPM Must Offer Requirement

- **Must offer requirement for Base Residual Auctions**
- **Must offer requirement for Incremental Auctions**
- **Definition of resources which must offer**
  - **Existing**
  - **Planned**
  - **Cap mods**
- **To whom does must offer requirement apply**
- **Remedies for failure to meet must offer requirement**
- **Applicable EFORd**

# Ambiguities in RPM Must Offer Requirement

- **4. The Market Monitoring Unit shall consider the documentation provided to it by a potential Capacity Market Seller pursuant to Section 6.6 of Attachment DD, in determining whether that such resource**
  - **(i) is reasonably expected to be physically unable to participate in the relevant auction;**
  - **(ii) has a financially and physically firm commitment to an external sale of its capacity;**  
**or**
  - **(iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource.**

## Issues to Address

- **A unit's commitment to an external sale**
  - **Requires MMU evaluation of whether transaction is uneconomic**
  - **Potential withholding**
- **Physical or regulatory unavailability**
  - **Requires offer if revenues exceed ACR plus penalties for the year**



# Data Posting Criteria



# FERC's Instructions

- **“Finally, Order No. 719 requires RTOs and ISOs to justify their policies regarding the aggregation or lack thereof of offer and cost data, and to discuss the extent to which these policies avoid participant harm and the possibility of collusion, while fostering market transparency. PJM explains that it does not intend to post virtual data down to the bus level because it would give an advantage to entities that have the resources and ability to glean the bidding strategies of virtual traders. PJM does not otherwise explain its policies on offer and cost data. Accordingly, we require PJM to provide...a justification of its policies as required by Order No. 719.” (Order @ 203)**



# FERC's Instructions

- **FERC requests that PJM provide:**
  - **Justification for the provision of offer and cost data at defined level of aggregation**
  - **Explanation of how rules avoid harm and the possibility of collusion while fostering market transparency**



# Efficient Market Transparency Requirements

- **Competitive, efficient market outcomes require that competitors**
  - **Know the clearing prices in a market**
  - **Know their own costs**
- **Competitive markets do not require transparency of competitors' costs or the shape of the supply or demand curve**

# Potential Harms from Providing Offer Data

- **Access to competitors' offers, supply curves, demand curves**
  - **Provides opportunities to game**
    - **Implicit collusion in repeated games**
  - **Provides opportunities for predatory behavior**
    - **Short term losses to remove competitors**

# Underlying Reasons for Harm from Offer Data

- **Structural features of electricity markets make them prone to market power abuse:**
  - **Inelastic demand**
  - **Concentrated markets**
  - **Barriers to entry**
  - **Limited storage and inter temporal substitution opportunities**
  - **Markets operate as a repeated game with a relatively small number of key participants**



# Ways to Mitigate Concerns When Providing Offer Data

- **Mask data to reduce market sensitive nature**
  - Remove participant specific information
  - Periodically rerandomize
  - Aggregate the data
  - Remove market sensitive components
    - Location
- **Lag the release of the data to reduce market sensitivity**
  - Reduce the relevance of the available data to current market

# Current Policy on Providing Offer Data

- **Energy market unit offers:**
  - **Masked**
    - Unit not linked to owner
  - **Rerandomized**
    - Prevents learning
  - **Not locational**
  - **Four month lag**
- **Energy market virtual offers and bids**
- **Capacity market**
- **Ancillary market**



# Proposed Policy on Providing Offer Data

- **Match the current policy on energy market unit offers:**
  - **Masked**
    - **Unit not linked to owner**
  - **Rerandomized**
    - **Prevents learning**
  - **Not locational**
  - **Four month lag**



# Proposed Policy Satisfies FERC Criteria

- **Justification for the provision of offer and cost data at defined level of aggregation**
- **Rules avoid harm**
  - **No confidential information**
  - **No market sensitive information**
  - **Will minimize increasing the possibility of collusion**
  - **Will foster market transparency**





# PJM's Proposed Policy

- **PJM proposed policy is unclear**
- **PJM proposed policy is very broad**
- **No demonstrated link between proposed criteria and lack of harm**
- **No justification for changing existing policy**
- **Risk to an undefined policy that would result in the public release of substantially more data**
  - **Potentially market sensitive**
- **Any change in policy should be supported by a detailed analysis of the consequences**



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