

Role Of The Market Monitor: ISO New England

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Overview

- Role of Market Monitor
 - In general
 - In ISO/RTO
 - In New England
- Market Monitor's Tasks & Resources
- Current Priorities
- Conclusion

Role of the Market Monitor

- Provide critical functions in support of FERC, state regulators and New England stakeholders to ensure the success of the wholesale electricity markets
- Successful wholesale electricity markets:
 - Support reliable operations
 - Produce competitive prices
 - Attract sufficient infrastructure investment

Successful Markets Observe Fundamental Laws

KEEP the Lights on

- **K**irchoff's laws (physical)
- **E**conomic law of supply and demand
- **E**nergy Policy Act
- **P**ower Act

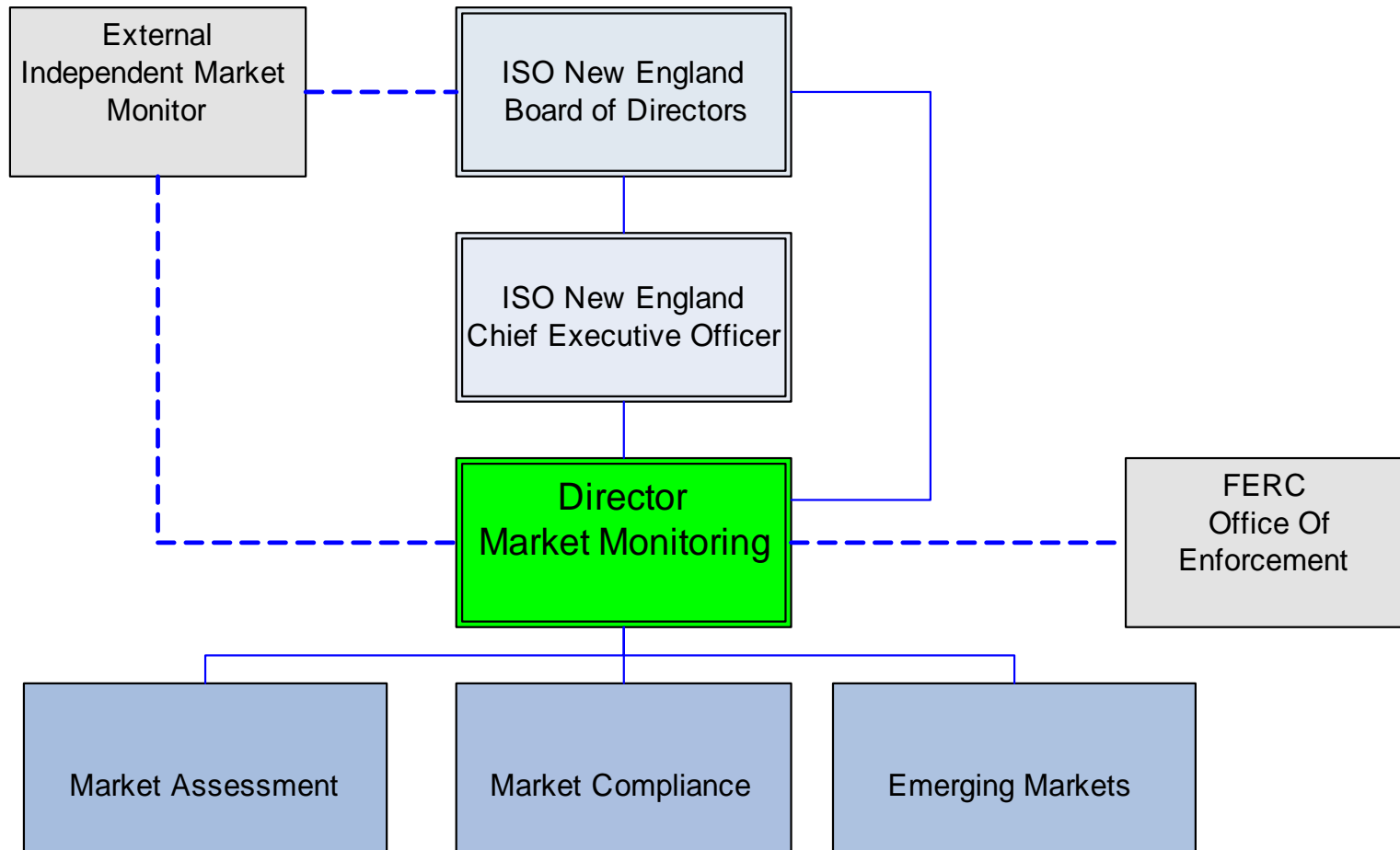
Role of the Market Monitor

- Critical informational and analytic resource to the RTO/ISO, FERC, state regulators, and New England stakeholders, including:
 - Providing assessments of how the markets are performing
 - Identify the extent to which market prices reflect competitive outcomes versus market power abuses
 - Conduct periodic and ad hoc reporting on the performance of the markets and/or market products
 - Assess the impact of internal implementation decisions on market performance

Ensuring Successful Markets Requires

- Assessing current and proposed rules and procedures for appropriate market incentives and performance results
- Recommending changes in rules and procedures to maintain or improve market efficiency
- Identify potential anti-competitive behavior by market participants

Market Monitoring in the RTO/ISO Organization



Reporting structure reinforces the critical commitment to market success of the Board of Directors and executive managements

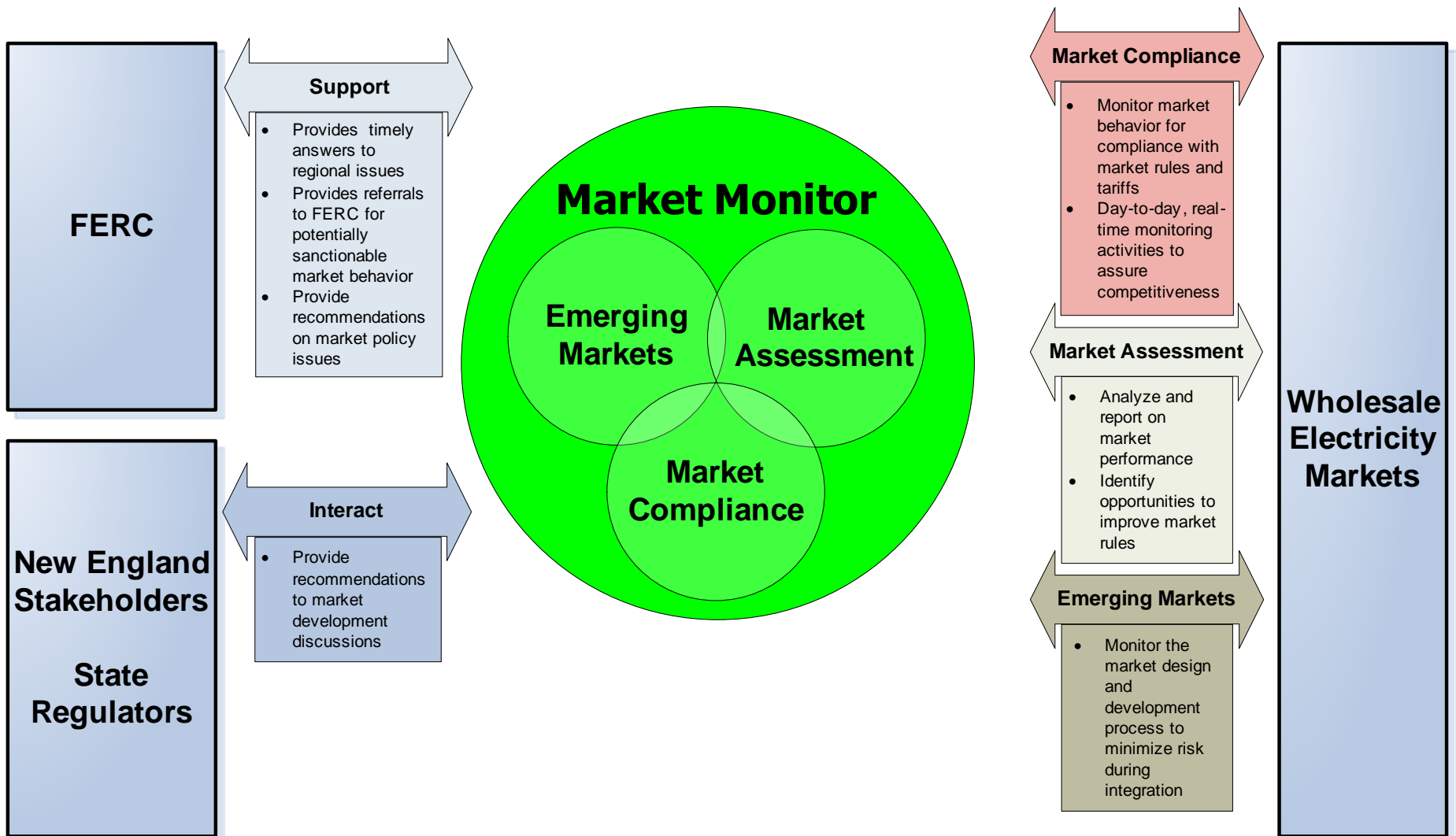
Role of the Market Monitor in New England



Roles of the Market Monitor in New England

- Ensure success of the wholesale electric markets through a continuous process flow of:
 - Monitoring
 - Analysis
 - Solutions
 - Communications
- Enhance market performance through interaction and feedback
 - FERC
 - New England State holders and state regulators
 - Wholesale markets
- When market flaws are detected, the Market Monitor is an active participant in the solution

Market Monitor's Tasks



Tasks of the Market Monitor

- Wholesale Electric Markets
 - Real-time monitoring to assure competitiveness and compliance to market rules and tariffs
 - Analyze and report on market performance, and identify opportunities to improve market rules
 - Monitor/review market development and integration to minimize risk
- FERC
 - Provide timely answers to specific regional issues
 - Refer potentially sanctionable market behavior
 - Provide recommendations on market policy issue discussions
- New England Stakeholders and State Regulators
 - Provide recommendations on regional market development discussions

Market Monitor's Current Priorities

- 2006 Summer Monitoring Plan
- Integration of Ancillary Services Market Phase II into established energy markets (Fall 2006)
- Cold Weather Operations (Winter 2006/07)
- Forward Capacity Market
- Enhance communications links
 - Market participants
 - State regulators
 - FERC

Current Market Monitoring Priorities

- Implement enhanced, real-time, day-to-day monitoring including:
 - Comprehensive energy market review, including key market indicators
 - Review of interrelationships between electric and gas/oil markets
- Continue assessment of Ancillary Services Markets and their impacts on the current energy markets prior to integration
- Enhance communication with market participants to enable a feedback loop of market performance issues from a sector perspective

Questions / Discussions

