

Independent Market Monitoring

ENHANCING THE TRANSPARENCY & PERFORMANCE OF RTOS & DAY-AHEAD MARKETS

Background

Independent Market Monitors must continually evaluate Regional Transmission Organizations (RTOs) per federal regulation (FERC Order 2000). Monitors identify, analyze, and recommend actions to address market design flaws, market power abuses, and efficiency improvements. These entities, which must act independently from the market operator, help enhance reliability and performance and prevent manipulation.



Why This Matters

Market operators may employ Independent Market Monitors that are internal (in-house), external (consulting firms), or hybrid. SPP and CAISO are the only RTOs in the U.S. with an internal model. Additional entities may provide feedback on monitoring. For example, the CAISO Markets Surveillance Committee is required to comment on market monitor reports.

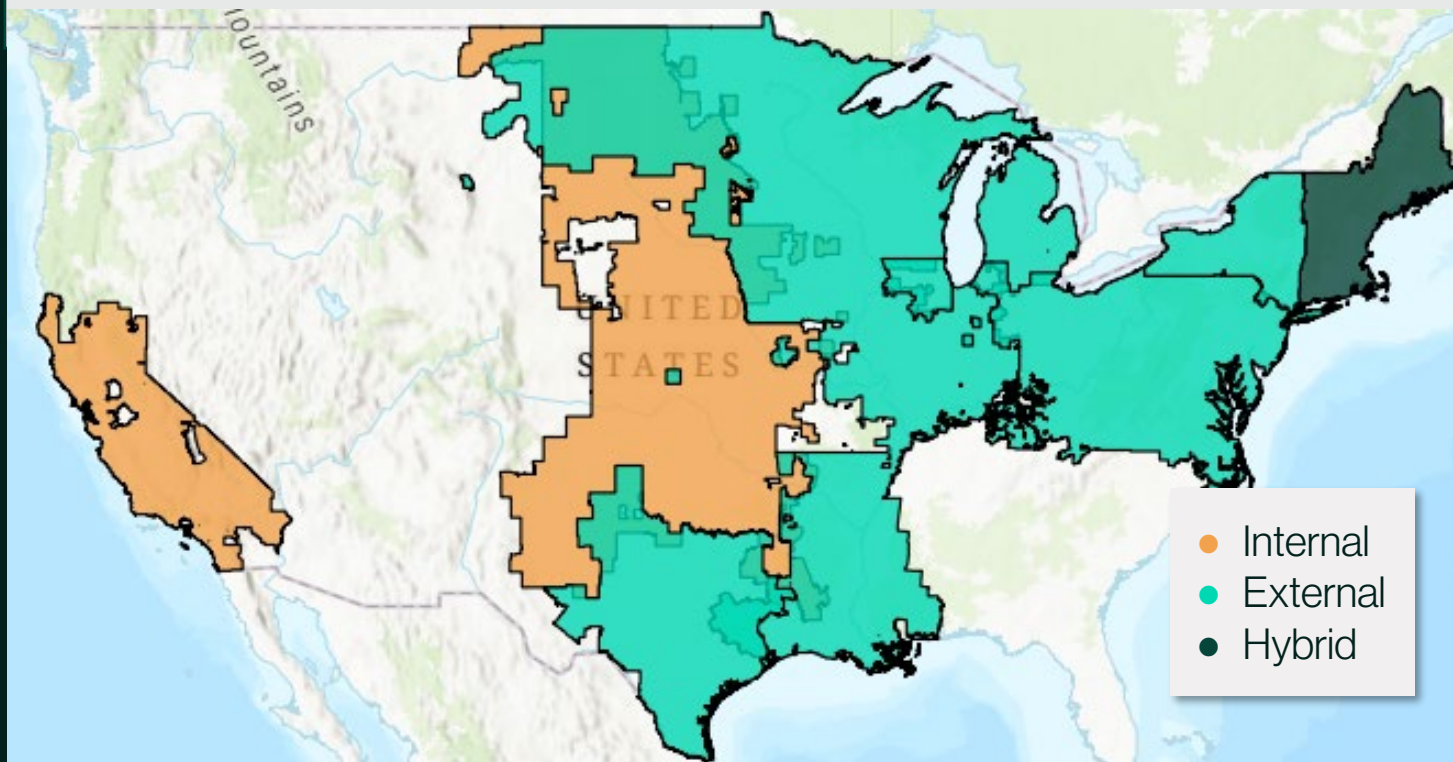
As day-ahead markets and RTOs develop in the West, advocates must consider which monitoring structure supports maximum independence from operator staff and transparent, robust performance reporting. Analysis from the monitor may influence management of transmission congestion, seams, carbon emissions, and more.

Recommendation

Day-ahead markets and RTOs entering the West must include robust monitoring to ensure new markets deliver expected benefits. WRA recommends a hybrid monitoring model for the first 3+ years of operation to facilitate analyses from multiple perspectives and strengthen market design recommendations.

Market Monitors in Existing US RTOs

Market Operator	Market Monitor Type	Market Monitor
CAISO	Internal	CAISO Department of Market Monitoring
SPP	Internal	SPP Market Monitoring Unit
ERCOT	External	Potomac Economics
MISO	External	Potomac Economics
PJM	External	Monitoring Analytics
NYISO	External	Potomac Economics
ISO-NE	Hybrid	Potomac Economics and ISO-NE Internal Market Monitor



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