



# MARKET MONITORING PLAN

MMAC  
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Market Monitor

- Expect to make FERC filing in mid July
- Modifications to Market Monitoring Plan
  - Clarification
  - Consistent with recent FERC Orders re market monitoring
  - References to all market monitoring related responsibilities in OA and OATT
- Proposed approach to definition of aggregate market power
- Proposed approach to definition of scarcity
- Proposed approach to Corrective Actions

- Relevant documents:
  - FERC's Order Approving Market Monitoring Plan as Modified (March 10, 1999)
  - PJM Board of Managers Review of Market Monitoring Organization (November 13, 2003)
  - FERC's Guidance Order on Expedited Tariff Revisions for Regional Transmission Organizations and Independent System Operators (April 7, 2005)
  - FERC's Policy Statement on Market Monitoring Units (May 27, 2005)

- Clarification of MMU reporting
  - Roles of FERC, the PJM Board and PJM management
- Clarification of MMU budget approval process
  - Roles of FERC, the PJM Board and PJM management
- Clarification of roles related to the preparation of reports by the MMU
  - For FERC
  - For PJM Board
  - For PJM Members
  - For Authorized Government Agencies

- Annual Monitoring Plan
  - Role of MMAC
  - Role of PJM Board
  - Role of PJM Management
  - Auditability of MMU and MMU processes

## **Approach to aggregate market power**

- Aggregate market is a market without transmission constraints or the unconstrained portion of a market with transmission constraints
- Aggregate market power is the ability of a participant or group of participants to increase/decrease the market price above/below the competitive price
- Competitive price is the marginal cost of the last unit dispatched by PJM except under conditions of scarcity
- Marginal cost is the short run incremental cost of production
- Competitive price under conditions of scarcity is any price less than the offer cap of \$1,000 per MWh

## **Approach to scarcity**

- Scarcity exists when demand is greater than or equal to supply
- In PJM – definition of demand includes the resources needed to reliably serve load
- Operating reserves are included in demand
- Scarcity exists when demand, including a defined level of operating reserves, is greater than or equal to supply
- Supply includes all available generation

## Approach to Corrective Actions

- Violation of market rules will be acted on per Plan
  - Informal discussion
  - Demand letter
  - Regulatory filing
- Exercise of aggregate market power
  - Defined trigger for MMU action
  - Defined increase/decrease in market price