



# MARKET MONITORING ADVISORY COMMITTEE

MMAC  
December 8, 2005

Joseph E. Bowring  
Market Monitor

- Introduction
- Approve draft minutes of the June 9, 2005 meeting
- Selection of a Vice Chair
- Review and discuss modifications to Market Monitoring Plan
- Review scope of MMU annual plan

- Modeled on Audit Advisory Committee Charter
- Responsibilities
  - Review scope of MMU annual plan
  - Recommend potential changes to scope of MMU annual plan
  - Select vice chair
- Membership

- Proposed modifications to Market Monitoring Plan
  - Clarification
  - Consistent with recent FERC Orders re market monitoring
  - Consistent with May 27, 2005 FERC Policy Statement on Market Monitoring Units
- Proposed approach to Corrective Actions
  - Remove provision for “demand letter”
  - Insert provision for “referrals” to FERC
- Expect to make FERC filing after Members’ Committee meeting in January

<b>FERC POLICY STATEMENT ON MARKET MONITORING UNITS</b> (PL05-1-000; Issued May 27, 2005)	<b>Associated Changes to Attachment M Market Monitoring Plan</b>
<b>PL05-1 at 7;</b> The MMU should monitor and regularly report on performance and structure of the electricity market within the ISO/RTO region.	Market Monitoring Plan Section VII.A and B.
<b>PL05-1; Appendix A at 1;</b> Obligation of the MMU to inform the Commission of potential Market Behavior Rule violations and any violations of the ISO/RTO tariff that the Commission has not allowed the ISO/RTO to resolve in the first instance.	Market Monitoring Plan Section IV.B
<b>PL05-1; Appendix A at 3;</b> Protocols... for... referrals by the MMUs to the Commission.	Market Monitoring Plan Section IV.A; Section IV.B.
<b>PL05-1; Appendix A at 4; Protocol No. 1.</b> An MMU should make a referral to the Commission in all instances where the MMU has reason to believe that a Market Violation may have occurred.	Market Monitoring Plan Section IV.A; Section IV.B.
<b>PL05-1; Appendix A at 5; Protocol No. 2.</b> All referrals to the Commission of alleged Market Violations should be in writing, whether transmitted electronically, by fax, mail, or courier. The MMU may alert the Commission orally in advance of the written referral, but the Commission will not act without a written referral.	Market Monitoring Plan Section IV.A; Section IV.B.
<b>PL05-1; Appendix A at 6; Protocol No. 3.</b> The referral should be addressed to the Commission's Director of the Enforcement Division of the Office of Market Oversight and Investigation, with a copy also directed to both the Director of the Office of Market, Tariffs and Rates and the Commission's General Counsel.	Market Monitoring Plan Section IV.B.

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<b>PL05-1; Appendix A at 7; Protocol No. 4.</b> The referral should include, but is not limited to, the following information:	Market Monitoring Plan Section IV.B.
(a) the name[s] of and, if possible, the contact information for, the market participants that allegedly took the action[s] that constituted the alleged Market Violation[s];	Market Monitoring Plan Section IV.B.1
(b) the date[s] or time period during which the alleged Market Violation[s] occurred and whether the alleged wrongful conduct is ongoing;	Market Monitoring Plan Section IV.B.2
(c) the specific Market Behavior Rule[s] and/or tariff provision[s] that were allegedly violated;	Market Monitoring Plan Section IV.B.3
(d) the specific act[s] or conduct that allegedly violated the Market Behavior Rule or tariff;	Market Monitoring Plan Section IV.B.4
(e) the consequences in the market resulting from the act[s] or conduct, including, if known, an estimate of economic impact on the market;	Market Monitoring Plan Section IV.B.5
(f) if the MMU believes that the act[s] or conduct constituted manipulative behavior in violation of Market Behavior Rule 2, a description of the alleged manipulative effect on market prices, market conditions, or market rules;	Market Monitoring Plan Section IV.B.6
(g) any other information that the MMU believes is relevant and may be helpful to the Commission.	Market Monitoring Plan Section IV.B.7
<b>PL05-1; Appendix A at 8; Protocol No. 5.</b> Following a referral to the Commission, the MMU should continue to notify and inform the Commission of any information that the MMU learns, ...continue its monitoring functions and make recommendations to the ISO/RTO, stakeholders, and the Commission on tariff changes that may be necessary.	Market Monitoring Plan Section IV.B; Section IV.C.2; Section IV.C.7

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

- MMU Draft Scope of Work - Purpose
  - In addition to ongoing monitoring of PJM markets
  - Specific areas for additional monitoring and analysis

- MMU Draft Scope of Work
  - Review of rules governing the payment of operating reserves
  - Review of markets for operating reserves
  - Review of selected PJM dispatch procedures
  - Review of scarcity and market power settlement impacts on markets
  - Review of the definition of marginal cost in the CDTF
  - Review of rules governing outages
  - Review of data posting scope and definitions

- Members' suggested additions to MMU Draft Scope of Work