
Wholesale Electricity Markets

A Taco Short of a Combination Plate?

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FERC – Transmission Access

- Open Access Transmission Tariffs
 - Individual companies
 - Power Pools
- Functional unbundling of transmission activities
 - Transmission service under uniform transmission tariff
 - Separate rates for wholesale generation, transmission, ancillary services
 - Open access to transmission information
- Recovery of stranded costs
- OASIS (FERC 889)



FERC – Regional Transmission Organizations

- Regional control and operation of transmission facilities
- Eliminate opportunities for discriminatory transmission practices
- Improve management of electricity flows
- Improve transmission pricing – no pancaking
- Improve management of transmission congestion
- Improve reliability



New England – Missing pieces

- Since 1998:
 - Multi-settlement system
 - Load response
 - Congestion management

- Still working on it!

New England –Increased Outages?

- Synapse found:
 - More generation unavailable each weekday
 - Fossil steam plant outage rates double
 - Correlation between outages and high pricing days
 - Decrease in O&M expenditures
 - Increase in wholesale spot electricity prices
- Long-awaited report from ISO New England on plant outages is “forthcoming.”



New England – Insufficient Competition?

- NSTAR filing:
 - In tight capacity conditions, energy market is not workably competitive
 - Generators can raise prices in anticipation of tight capacity
 - Increased levels of unplanned outages are suspect
 - Lack of demand response could provide relief
 - Known market flaws haven't been addressed
 - Anomalous behavior is not well understood

- FERC finds:
 - Market flaws in New England warrant temporary \$1000/mwh cap during tight capacity
 - Lack of demand response is “major impediment”
 - Bid data should be disclosed with 6 month lag
 - Reduce ISO discretion in mitigation

New England– Energy charges reflect market power?

- APS charges that excessive outages combined with gaming of unit characteristics results in market with little competition
- APS charges that NEPOOL energy market inflated by at least \$10/mwh by strategic withholding
- APS appeals ISO unwillingness to adjust energy invoices though ISO has identified numerous problems with competitive markets and participant behavior

New England– Contesting market-based rates

- Northeast Massachusetts is not competitive when transmission is constrained
- Dominant suppliers within area can create transmission congestion nearly at will
- Mitigation has failed to keep prices reasonable
- NSTAR requests:
 - No market-based rate authority during tight capacity OR reduce generation ownership concentration
 - Pay generation based on energy clearing price or marginal cost
 - Transparent market monitoring
 - Refunds for sums over energy clearing price



California–Market Power Exercise?

- FERC and ISO recognize potential for market power exercise
- ISO reports document exercise of substantial market power over 28 months and finds “rampant exercise of market power”
- ISO finds about ½ of mark-up of system market clearing price over system marginal costs is due to market power
- ISO analysis of bidding patterns finds 98% of hourly bidding profiles display some sort of economic and/or physical withholding
- FERC investigating just and reasonableness of rates

Making markets competitive – Some hot topics

- Market monitoring
 - Sufficient tools
 - Mitigation
 - Constraints
- Load response –disciplining the markets
 - How much to seek
 - How much to pay
- Regional or national markets
- Decision-making
 - Who
 - Role of stakeholders
- Collision course between energy and environment?

Getting involved

- Input to state commissions and attorneys general
- Input to FERC
- Participation in stakeholder process