



# Market Power Mitigation of the Ancillary Services Markets

Presented to:

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and Development Meeting

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## Objectives

- This presentation addresses two areas:
  - ✓ ASM market power mitigation processes
  - ✓ ASM data requirements for establishing cost-based reference levels.
- Mitigation is only applied when both conduct and impact tests are satisfied:
  - ✓ Conduct test: supplier withholding service
  - ✓ Impact test: Identified conduct raises prices significantly





## ASM Market Mitigation

- Mitigation measures
  - ✓ Economic withholding: offers prevented from rising substantially above reference levels (non-punitive).
  - ✓ Physical withholding and over-production: punitive economic sanctions. IMM to refer conduct to FERC for potential sanctions.
- Criteria for mitigation for economic withholding in AS markets
  - ✓ Offers tested in area impacted by ASM or transmission constraints
  - ✓ Conduct test
    - ASM offer exceeds reference level by \$50 per MW or 300 percent
    - Provisions addressing time and rate parameters are unchanged
  - ✓ Impact test
    - Local ASM clearing price increase of \$50 per MW per hour; OR
    - Energy price in local reserve zone increase by NCA/BCA threshold

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## ASM Market Mitigation

- Subject to FERC approval, initial implementation of mitigation measures for economic withholding may include:
  - ✓ Initial conduct and impact thresholds of \$10/MWh (rather than \$50/MWh)
  - ✓ This initial threshold would rise \$10/MWh every 3 months as long as the market is performing competitively
- Establishing reference levels for a generator
  - ✓ Minimum of the mean or median of previous 90 days accepted bids while unconstrained, adjusted for fuel price changes
  - ✓ Mean LMP of lowest 25% of hours dispatched
  - ✓ Cost-based referenced based on survey data
  - ✓ Consultation for adjustments and exceptions
- Initially, reference will be based on cost-based data from survey.

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## Changes to Cost Survey for ASM

- Physical Capability Parameters
  - ✓ Regulation maximum and minimum (not individual bands)
  - ✓ Physical ramp rates (up, down and bidirectional)
  - ✓ Off-line limit – supplemental reserve response capability
- Cost Parameters
  - ✓ With simultaneous co-optimization, there is no opportunity cost between products that must be included in offers
  - ✓ Examples of other cost components
    - Added \$ per hour for equipment wear
    - Added MMBtu per hour for efficiency impacts

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## Changes to Cost Survey for ASM (Continued)

- Reliability Parameters include:
  - ✓ Impact of regulation on forced outage rate
  - ✓ Probability of not fully responding to a contingency reserve deployment
  - ✓ Probability of failure to follow set-point within tolerance bands while on regulation
- Data Collection
  - ✓ Same website <https://www.potomaceconomics.com/ocs/home.action>
  - ✓ Collection of ASM data expected in April of 2008

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