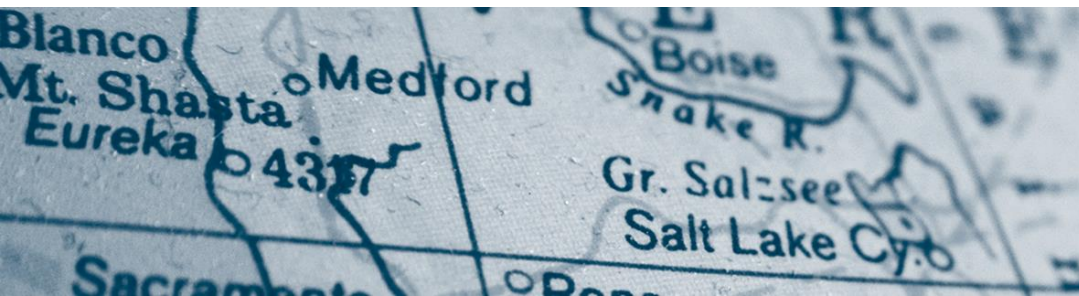


WESTERN ENERGY IMBALANCE MARKET

Role of the ISO's Department of Market Monitoring

Eric Hildebrandt, Executive Director
Department of Market Monitoring

May 2024



Mission of independent market monitors

"Each independent system operator ... must include a mission statement ... that identifies the Market Monitoring Unit's goals, including the protection of consumers and market participants by the identification and reporting of market design flaws and market power abuses."

FERC Order 719

To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.

Department of Market Monitoring Mission Statement
CAISO Tariff, Appendix P

Core functions of independent market monitors (FERC Order 719)

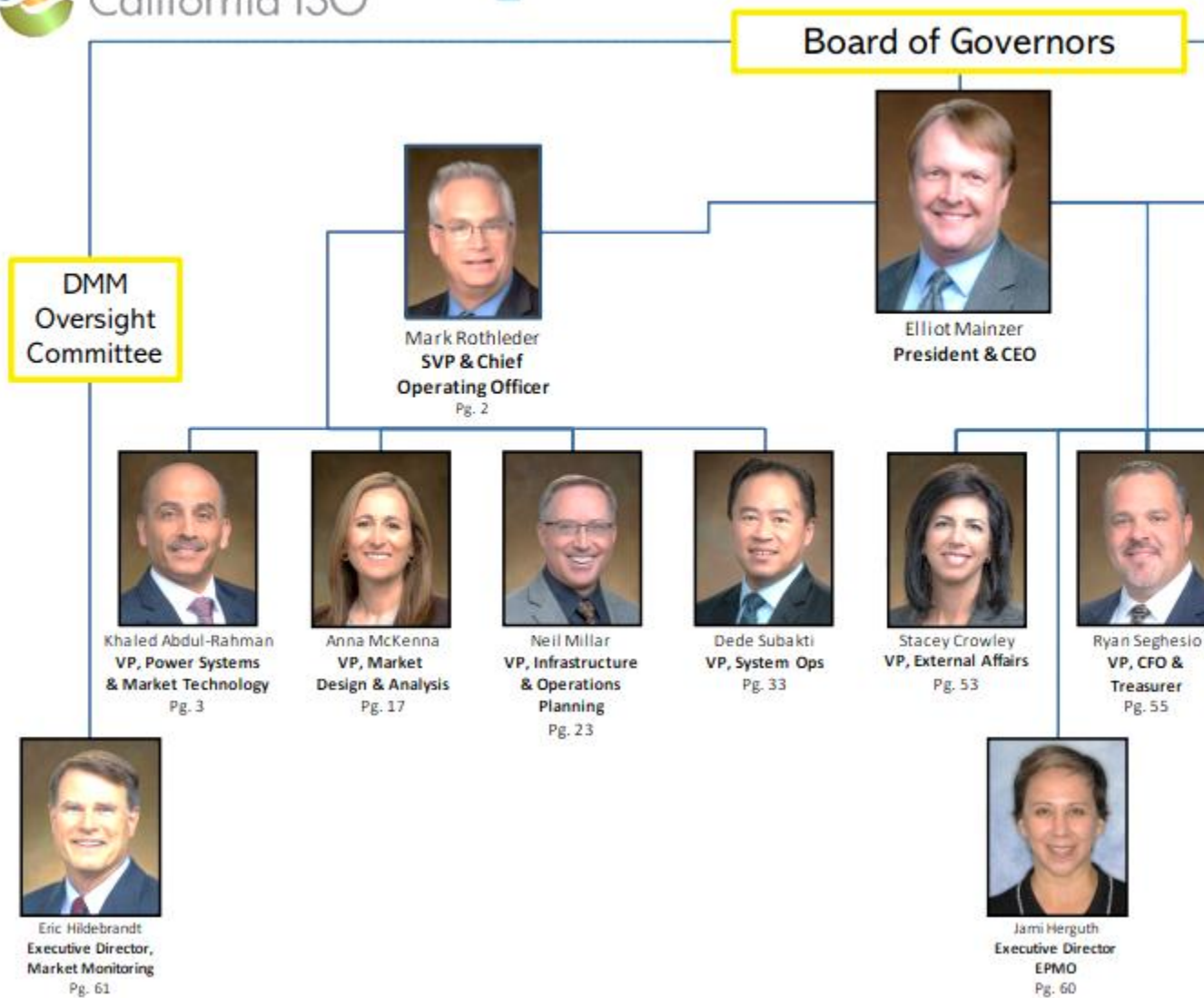
1. Review and report on the performance of wholesale markets, including quarterly and annual reports.
2. Evaluate existing and proposed market rules, and provide recommendations.
3. Notify FERC Office of Enforcement when a market participant or the ISO has engaged in conduct that may require investigation.
4. Market monitors may also perform functions related to inputs for market power mitigation.
 - Cost-based bids used in mitigation

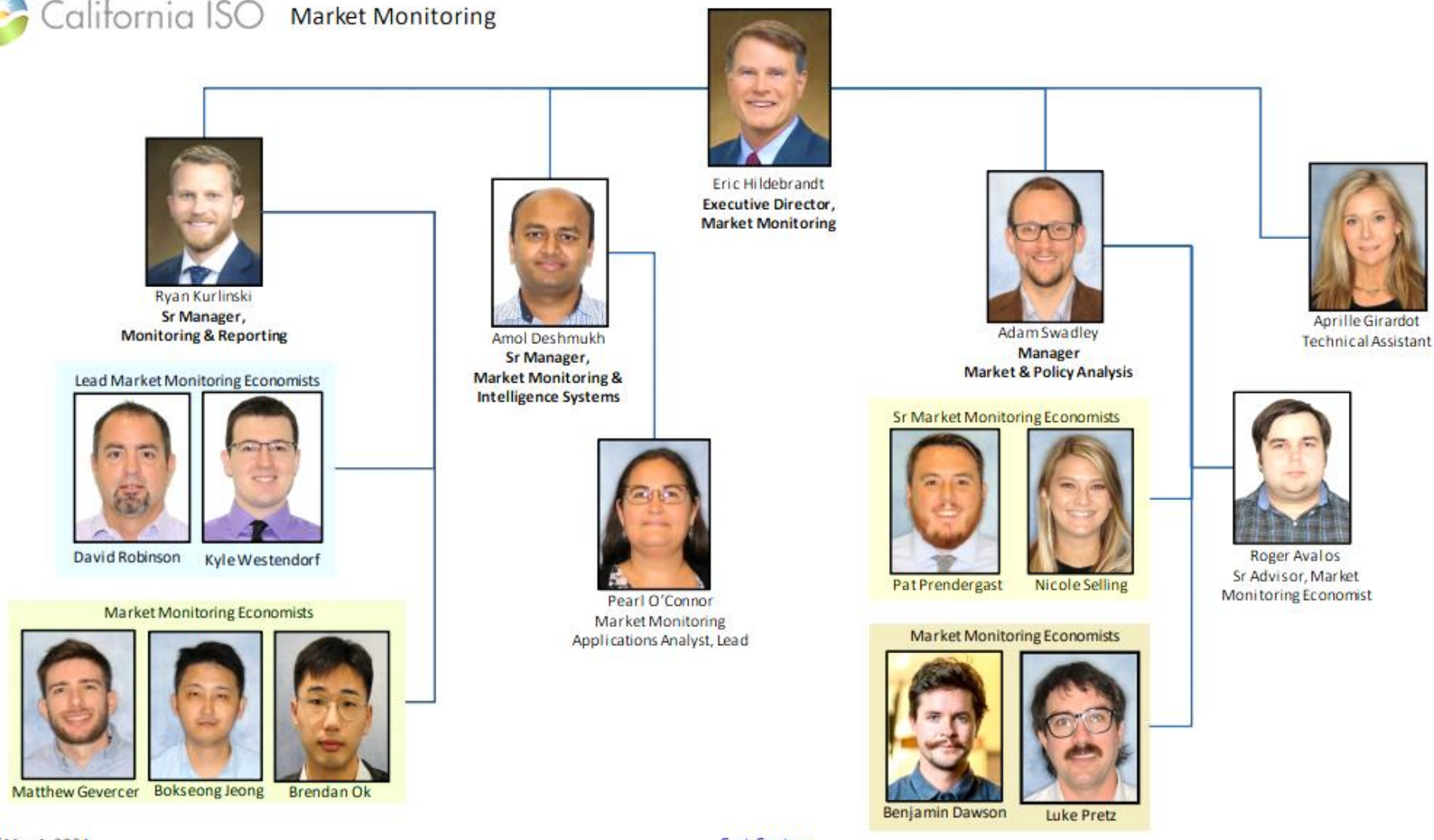
ISO's Department of Market Monitoring

- Internal business unit of the ISO
 - 16 staff (economics, data analysis, engineering)
 - Access to all ISO/WEIM market and operational data
 - Collaborate with ISO staff on market design and monitoring.
- Work and communicate frequently with FERC staff on market monitoring, design issues and referrals.
- Stakeholder interactions
 - Participate actively and submit written comments in stakeholder process
 - Outreach and discussions with individual market participants
 - Frequently invited to present at BOSR, WIEB and RIF meetings
 - DMM outreach to individual WEIM participants and state PUCs

DMM Independence and Oversight

- Independent from ISO management, as required by FERC Order 719
- DMM Oversight Committee
 - BOG sub-committee (2 members)
 - WEIM Governing Body representative (non-decisional member)
 - Approves DMM budget, compensation & other administrative issues
- DMM provides independent recommendations to ISO Board of Governors and WEIM Governing Body
 - Written stakeholder comments and Board memos
 - Meetings with BOG and Governing Body
 - Verbal comments at BOG and Governing Body meetings





ISO and WEIM market power mitigation...

- System-wide market power
 - \$1,000/MWh cap (up to \$2,000/MWh)
 - CAISO/WEIM rules cannot mitigate regional market power throughout the West
- Bid caps on start-up and minimum load bids
 - 125% of cost
- Energy bids only subject to mitigation when congestion occurs on uncompetitive transmission constraints within CAISO/WEIM
 - Bids capped at higher of cost-based bid or competitive market price
 - Competitive price can be set by imports or bilateral prices at trading hubs
 - Import bids not subject to bid mitigation

For more information

- Department of Market Monitoring webpage
 - <http://www.caiso.com/market/Pages/MarketMonitoring/Default.aspx>
- ISO Tariff, Appendix P
 - http://www.caiso.com/Documents/AppendixP_CAISODepartmentOfMarketMonitoring_asof_Apr1_2017.pdf
- Eric Hildebrandt, Executive Director
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- Ryan Kurlinski, Senior Manager, Monitoring & Reporting
- Adam Swadley Manager, Market & Policy Analysis