

Charter for Pacific Northwest Market Monitoring

Vision

The Northwest market monitor (NWMM) will investigate market structure, behavior, and performance in Pacific Northwest wholesale power and transmission markets to support the overall objective of wholesale power and transmission prices that are not adversely affected by anticompetitive conduct or market manipulation. The NWMM will focus on the efficiency and competitiveness of the wholesale electric power and transmission markets within the Western Interconnection and will help protect market participants and consumers from non-competitive outcomes.

Structure

1. The NWMM will be established as a new task under the Northwest Power Pool (NWPP) Funding Agreement. The NWPP will establish a new Market Monitoring Committee (MMC) to act in an oversight capacity to the NWMM.
2. The MMC will have decision-making authority over the contract and budget of the NWMM. It will have the authority to direct the NWMM to conduct specific studies or investigations, but will not have the authority to alter the conclusions of the NWMM.
3. A firewall will be necessary at the NWPP because the NWMM will be collecting commercially sensitive information.
4. The NWMM will monitor all electric power and transmission markets in the Northwest, including long-term and short-term, energy and transmission, ancillary services, interconnected operating services, and forward contracts.
5. The NWMM will gather data on prices, quantities, market structure, the behavior of market participants, and the performance of wholesale electricity markets. The obligation to provide data as requested by the NWMM will be established as a condition of service under OATTs and associated business practices, or as part of the standard agreement with OATI for transmission providers and users who are part of or using wesTTrans.net. Modification of regional OATTs is probably necessary. If OATT is used for enforcement, TOs may need a multilateral agreement to enforce data-sharing with monitor.
6. The NWMM will not be a FERC-jurisdictional entity, because it will not provide FERC-jurisdictional services.
7. Interaction with the other TIG charters:
 - The NWMM will automatically have access to all data collected by wesTTrans.net and to analyses conducted by NTAC.
 - If necessary, the NWMM will obtain data from the PNSC that will support the analyses conducted by the NWMM. This will probably require amendment of the basic PNSC agreements.
8. The NWMM will have the authority and responsibility to identify actual and potential problems regarding the competitive state of wholesale Northwest electricity markets, to make reports to state and federal agencies who are charged with enforcing laws and regulations regarding market behavior, and to undertake specific investigations upon request.
9. The NWMM will make periodic and special reports to state agencies with enforcement authority and FERC. These reports will include an annual State of the Market report.

10. The NWMM will provide input to the west-wide market monitoring entity under discussion by SSG-WI, CREPC, and FERC.

Funding

1. The NWMM will be funded by the regional transmission providers who are members of the Northwest Power Pool, through a surcharge on their transmission rates or other acceptable mechanism.
2. All Transmission owners who join the NWMM will agree to a minimum term of participation (5 years?), unless the MMC dissolves the NWMM earlier.

Staffing

1. The contractor performing services as the NWMM will provide the necessary and sufficient personnel to meet its obligations under the contract.
2. Market participants, including transmission owners, will provide staff as necessary to the MMC of the NWPP. Any market participant in the Northwest may become a member of the MMC. Membership in the MMC is also open to other entities in the NWMM footprint.
3. State and federal regulatory agencies will have *ex officio* positions on all committees and work groups established by or through the NWMM.

Dispute Resolution

- The NWMM will not have the authority to issue orders, impose mitigation procedures or impose sanctions on market participants. However, the NWMM will have the ability and the obligation to identify specific behaviors or structures that may require action by state or federal regulators.

Developmental Schedule

1. A team will be established by the end of March 2005; the team will meet biweekly at least through July 2005.
2. The goal of the team is to produce a draft task order for a Funding Agreement with the NWPP and a charter for the MMC of the NWPP, using the charter of the NWPP's Transmission Planning Committee as a starting point.
3. By the end of April 2005, the team will report to the TIG Steering Committee on the feasibility of relying on the NWPP to implement this activity; if the NWPP is not a feasible option, the team will offer an alternative approach to the TIG Steering Committee.
4. By the end of May 2005, the team will present a draft scope of work for the NW Market Monitor to the TIG Steering Committee.
5. By the end of June 2005, the team will present the TIG Steering Committee with a final complete draft of a proposal for NW market monitoring, including a schedule for approaching the Board of the NWPP to establish the MMC.

Implementation Schedule

6. By the end of the third quarter of 2005, an RFP will be issued by the NWPP for market monitoring services.
7. By the end of the fourth quarter of 2005, the contract with the market monitor will be executed and the monitor will begin operations
8. The first State of the Market report of the market monitor will be due by the end of the second quarter of 2006.

Next Layer of Details

1. This charter is designed to govern the discussion of future market monitoring activities in the Pacific Northwest in the near term (approximately three years, but perhaps longer). The charter assumes that market monitoring will be established in the Pacific Northwest by early 2006, separate and apart from any continuing discussions regarding the possible formation of Grid West. The charter is intended to guide a structured discussion of market monitoring, which will lead to a separate document that sets out an initial agreement on monitoring.
2. The purposes of market monitoring in the Pacific Northwest are (a) the analysis of the structure of, and conduct and behavior of participants in electric power and transmission markets (including ancillary service markets) in the region, (b) the identification of anti-competitive behavior or non-competitive structure of any kind in such markets, (c) the reporting of such anti-competitive behavior to the appropriate regulatory agencies, (d) the identification of barriers to entry or restrictions on trading in such markets, and (e) recommendations for changes to tariffs, business practices, or internal operating systems (e.g., scheduling software) to reduce such barriers and restrictions or make other improvements to the operation of such markets.
3. In monitoring PNW markets, the NWMM must provide for due process to parties subject to investigation, verification of methods and analyses applied to investigations, and accountability for the validity of its results.
4. To accomplish these purposes, the Northwest Power Pool (NWPP) will establish a new Market Monitoring Committee (MMC), and a new task order will be issued under the NWPP Funding Agreement.
5. The initial contract, and any subsequent contracts, will be awarded based on a competitive bidding process. The initial contract will be awarded no later than December 31, 2005, and will be for a period no longer than __ years. Performance under all contracts will be reviewed on a regular basis and the basic contract will be put out for general rebidding once every __ years. The contract will provide for termination for cause or upon notice.
6. The costs of hiring the market monitor will be recovered through the transmission rates of the major transmission providers who are members of the Northwest Power Pool. The transmission providers will determine the formula for allocating the costs of the monitor among themselves. The contract will have an annual fixed budget, which can be amended within each contract year upon an affirmative vote of the majority of the signatories to the contract.
7. The Market Monitoring Committee (MMC) will be open to any market participant and to _____. The purpose of the MMC is to advise the NWPP Board regarding the activities of the vendor providing market monitoring services. The

vendor's scope of work under the Funding Agreement will be a public document. The MMC will elect a Chair and a Vice-Chair and will establish the terms of conduct for its own meetings (e.g., frequency and protocols). The MMC will conduct open meetings.

8. The costs of participation in meetings of the MMC will be borne by the entities that elect to send representatives to the meetings. The costs of the market monitor's participation in, preparation for, and responses to the MMC will be addressed in the contract between the monitor and the NWPP, but will become part of the overall cost of the contract with the monitor.
9. The monitor will also establish a "hotline" where complaints or concerns can be registered about market structure, conduct or performance. The monitor will conduct preliminary investigations of such complaints or concerns, and will bring the results of such preliminary investigations to the MMC to seek guidance on whether further efforts are necessary.
10. The monitor will release regular reports on _____ and will conduct special or specific investigations at the request of a simple majority of the membership of the MMC. All reports will be made public, unless _____.
11. The monitor will make itself available to meet with the state regulatory commissions, state attorneys general, and other state agencies (e.g., siting commissions) in the Northwest upon request. Such meetings may or may not be public, depending on the regulations governing the activities of the requesting party.
12. The monitor will send copies of all reports to the Federal Energy Regulatory Commission, and will meet with FERC staff from OMOI on a regular (as requested?) basis. However, the monitor itself will not be a FERC jurisdictional entity and will not provide FERC-jurisdictional services.
13. The market monitor will meet with the California Market Surveillance Committee and other established monitoring entities in the WECC on a regular basis to exchange information, analytical approaches, and potential improvements to market operations at "seams" in the WECC.
14. Activities of the market monitor will be initially established in the scope of work established under the NWPP Funding Agreement, but will include at least the following: _____.
15. The market monitor will have access to data from the common OASIS and other market participants as follows: _____.
16. The market monitor will have access to the Pacific Northwest Security Coordinator on the following terms: _____.
17. Confidentiality of data collected by the market monitor will be addressed in the following manner: _____.
18. Issues not identified above, such as the role of market monitoring under an RTO, will not be addressed pursuant to this Charter.