Market Monitoring and SMD Implementation: 
the New York Experience and Beyond

by Ricardo J. Galarza

Abstract

The electric power industry has evolved in the last years from vertically integrated utilities toward a market-based approach. Although many regions of the country have adopted a market-based approach, experiences such as the California crisis as well as allegation of market manipulation have prompted new efforts to achieve wholesale electricity markets that produce fair and reasonable prices. The Federal Energy Regulatory Commission (FERC) issued a White Paper describing a platform for wholesale power markets [2] [3], in an effort to standardize the structure and operation of the markets nationally. The platform, also known as Standard Market Design (SMD), is currently being implemented by several Independent System Operators (ISO) around the country, with various degrees of advancement. Although many of the key features of SMD are clearly defined, market monitoring and market power mitigation are areas that are vaguely defined in [2] and relatively undeveloped in [3]. This paper goes beyond FERC's order [3] by proposing a comprehensive approach for evaluating market performance, performing effective market monitoring, developing appropriate tools for accomplishing such tasks, and implementing market power mitigation schemes under SMD. It also describes the experience of their implementation for the Market Monitoring and Performance (MMP) Unit of the New York ISO (NYISO).


1 Ricardo J. Galarza is with PSM Consulting, Guilderland, NY 12084, USA (e-mail: rgalarza@psm-consulting.com).