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Should bidding data in power markets be available and transparent, or secret?

October 7, 2015—Should data behind the bids in competitive market bidding—e.g., heat rates of various generating units—be secret? Should the bids themselves be secret? What if the data is known by some market participants but not others? These questions underlie a proceeding before the **New York Public Service Commission** that addresses the transparency in filings under New York's "Annual Reports of the Lightly Regulated Gas, Electric and Steam Companies." The **New York Independent System Operator** says that it masks the identities of the bidders in its electric markets to avoid facilitating predatory pricing and collusion. The issue has risen to prominence because **James Brennan**, Chair of the **New York Assembly**'s Committee on Corporations, Authorities and Commissions, submitted a Freedom of Information Law (FOIL) request for utilities' reports filed at the PSC, but many of the reports received were redacted to keep secret the operating information of market bidders.

Robert McCullough of **McCullough Research**, who was retained by Brennan and the Assembly, has filed a 190-page affidavit on their behalf that incudes the redacted data, which McCullough was able to retrieve from other sources.

"Ironically," McCullough said in a 190-page affidavit submitted to the commission, "the decision to classify ordinary operating data, easily available from neighboring states, as well as US government databases at the Energy Information Administration, the Federal Energy Regulatory Commission, the Environmental Protection Agency, and the Nuclear Regulatory Commission, involved protecting the secret bids at the ISO. Since any reasonably competent analyst could, and most likely already has, broken the code at the ISO, the effort to reduce transparency in New York electric markets is doomed to failure.

Ah, transparency, there's the rub. Should markets be transparent? "Transparency is a necessary component of competitive markets," McCullough argues. In its absence, market bids may appear irrationally high.

"New York has frequently suffered from such problems," he notes, "with market bids that are more than ten times the bids seen in more competitive markets. For example, in 2013, 8% of all NYISO bid segments were over $500/MWh. This would imply that heat rates for those bidding plants are as high as ten times those of any existing power plants."

McCullough adds, "New York has traditionally been an outlier among administered electric markets. Although bizarre and inexplicable bids—those where prices per MWh wildly exceed any conceivable level of marginal cost—occur in most administered markets, New York has had an unusually high share of such aberrations."

All this, however, may amount to the proverbial tempest in a teapot. "Despite claims by New York generators that information regarding their marginal costs is secret and should remain so, a central component of those marginal costs is widely available thanks to the EPA," says McCullough. He goes on to argue that any competent analyst can easily decode the masked generator IDs. "Since firms' cost and revenue information can be determined from public sources, industry bidding strategies are likely known throughout the NYISO market. This opaque system keeps only one group in the dark: the public."

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