

IMM 2026 Budget

Presented to:

MISO Markets Committee of the Board of Directors

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2026 IMM Budget

- The budget for 2026 forecasted trends in costs in various areas with following notes and assumptions:
 - The two larger increases in the software areas relate to the completion of the MSE-related real-time mitigation software changes that will be developed and tested in 2026
 - We assume another SOC audit will be requested in 2026
 - Ratings data collection to begin in 2025 and continue into 2026
 - Assumes \$100K for planning monitoring
- Potomac Economics continues to strive to provide the most effective and efficient market monitoring function in the country
 - Automation and productivity improvements have limited the cost increases
 - Scope changes in the base monitoring would have generated annual cost increases of 6%-7% , but actual increases have been limited to 3.5% to 4%
 - These scope and activity changes over the past 3 years have included reviews of outages for CRNCC penalties, sharp increases in renewable units not following curtailments, increased investigation of DR resources

Proposed 2026 IMM Budget

	2025 Budget	2026 Budget	Notes
Market Monitoring Operations	\$ 7,643	\$ 7,925	
Base Monitoring & Data Management Tasks			
- Screening market activity and triage			
- Data management	\$ 5,670	\$ 5,900	Includes \$100K estimated for monitoring the Futures and transmission planning processes
- Review of market outcomes and operations			
- Coordination with MISO			
- Production of all reports			
FERC Support & Investigation	\$ 700	\$ 725	
Support Market Design	\$ 830	\$ 850	
SOC Audit Assessment	\$ 120	\$ 125	
Transmission Ratings Monitoring	\$ 250	\$ 250	Finish data collection platform and focus on real-time ratings
Legal Expenses	\$ 48	\$ 50	
Training	\$ 25	\$ 25	
PE Software	\$ 750	\$ 795	
PE Reporting & Reference Level Software	\$ 750	\$ 795	Includes updating local reporting and simulation software for changes in the MSE software
MISO Software	\$ 737	\$ 805	
MISO Automated Mitigation Software	\$ 575	\$ 600	
Coordinate with MSE: RT Clearing Engine	\$ 100	\$ 141	Code the mitigation software for the RT Clearing engine
License & Maintenance Fees	\$ 62	\$ 64	
IT Infrastructure, Security, and Support	\$ 1,030	\$ 1,095	
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Grand Total	\$ 10,160	\$ 10,620	

Discussion of IMM Function

- The IMM has been extremely effective in:
 - Monitoring participant conduct – imposing mitigation or referring conduct to FERC enforcement when warranted
 - Recommending and supporting the implementation critical market design changes
 - Recommending and collaborating with MISO to implement high-value operational improvements
- The remaining slides discuss the benefits in these three areas
- The annual quantifiable value of these activities generate savings/cost reductions for MISO's customers that are multiples of the IMM's costs
- The unquantifiable benefits are likely significantly larger than the quantifiable benefits, including:
 - The benefits of more efficient market pricing and incentives
 - Anticompetitive or manipulative conduct that was deterred

Conduct Monitoring

- Sanctions
 - We recommended to MISO over \$4 million in sanctions for physical withholding and uneconomic production based on our screens recently
- Referrals
 - We continue to expand our capacity to detect and refer market manipulation
 - FERC issued fines and disgorgement of \$100 million to entities we referred
 - Several referrals are still under investigation and will likely result in penalties
- Settlement Corrections
 - PRA monitoring: \$1.4 million in CRNCC assessments from IMM monitoring
 - Metering Error Corrections: \$1 million recovered from bad meter data
 - Inappropriate Uplift Disgorgement: over \$1 million refunded to MISO
- Conduct Deterrence
 - The larger value of monitoring is stopping or deterring bad conduct
 - Example: fraudulent EE caused \$17 million in costs in one capacity auction, but caused over half a billion in PJM over multiple years of auctions

Market Design

- The IMM has recommended numerous essential improvements to support the evolution of the MISO markets:
 - Shortage pricing
 - Fast-start pricing and emergency pricing through ELMP
 - The introduction of short-term reserves
 - Implementation of transmission constraint demand curves
 - Reforms to the market-to-market coordination processes
 - Marginal accreditation of capacity resources
 - The reliability-based demand curve
- The IMM is influential with FERC and a recognized thought leader
 - Since early 2023, we have provided 7 affidavits in support of MISO's filings, and all of those filings have been approved by FERC
- Some advice has quantifiable value – we advised MISO not to accept M2M rule changes we estimate would have cost >\$50 million annually

Operational Improvements

- Process/collaboration
 - Our relationship with MISO operations and continuing collaboration has led to significant improvements in MISO's processes
 - Our evaluation of significant events have led to operational improvements that have led to very different results in MISO than in PJM:
 - PJM has incurred hundreds of millions in uplift in recent winter storms, orders of magnitude more than MISO (\$2.7 million during Enzo)
- Quantifiable benefits
 - Since 2021, commitment process changes we recommended have led to:
 - Reductions in day-ahead and real-time RSG of 61 and 86 percent, respectively
 - The annual real-time RSG savings exceed \$120 million
 - In the first half of 2025, out-of-market actions for wind have fallen more than 90 percent compared to the same periods the past two years