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FERC Reviews Fiscal 2012 Enforcement Activities

The Federal Energy Regulatory Commission's Office of Enforcement is continuing to focus on matters involving fraud and market manipulation, serious violations of mandatory reliability standards, anticompetitive conduct and conduct that threatens the transparency of regulated markets.

That is the assessment of the Office of Enforcement's annual *Report on Enforcement* that recaps for the public and the regulated community the work done by the Office of Enforcement's four divisions - Investigations, Audits, Energy Market Oversight and Analytics and Surveillance - in fiscal 2012. The report is available at www.ferc.gov.

Conduct involving fraud and market manipulation poses a significant threat to FERC-regulated power and natural gas markets as it undermines the Commission's goal of providing efficient energy services at a reasonable cost because the losses imposed by such actions ultimately are passed on to consumers.

Similarly, anticompetitive conduct and conduct that threatens market transparency undermine confidence in energy markets and harm consumers and competitors. Such conduct also might involve the violation of rules designed to limit market power or to ensure the efficient operation of regulated markets. Of particular concern to Enforcement are cases involving the greatest harm to the public, where there often is significant gain to the violator or loss to the victims of the misconduct.

Some highlights of today's Enforcement report:

- Enforcement received 89 self-reports of potential violations of FERC rules in fiscal 2012. Staff closed 49 after initial reviews and without opening investigations. At the end of the fiscal year, staff reviews were pending on 46 self-reports, including those from prior years. Staff received self-reports from a variety of market participants, including power marketers, electric utilities, natural gas companies, and RTO/ISOs.
- Fiscal 2012 also saw the implementation of the North American Electric Reliability Corporation's Find, Fix, and Track Report (FFT) enforcement mechanism. FERC received 12 FFTs reporting 707 possible violations.
- In fiscal 2012 Enforcement created a new division, the Division of Analytics and Surveillance, to conduct surveillance and analyze transactional and market data to detect potential manipulation, anticompetitive behavior and other anomalous activities in energy markets.
- Enforcement completed 44 financial, compliance and performance audits of public utilities, natural gas pipelines, and storage companies covering a variety of topics. The audits resulted in 399 recommendations for corrective action and directed \$5.8 million in refunds, as well as accounting adjustments of \$3.5 million that will preclude their recovery through future rate proceedings.
- In fiscal 2012, FERC approved nine settlement agreements entered into by Enforcement for total civil penalty payments of more than \$148 million and disgorgement of more than \$119 million plus interest.
- Enforcement worked with NERC and the regional reliability entities to address 45 Notices of Penalty (NOPs) that NERC filed with the Commission in fiscal 2012, in which the regional entities proposed penalties totaling nearly \$6.5 million for alleged violations of the Reliability Standards.
- In fiscal 2012 Enforcement issued its Energy Primer, a comprehensive overview of natural gas and electric markets with detail on specific market segments.

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