



**Federal Energy Regulatory Commission
November 21, 2013
Open Commission Meeting
Staff Presentation
Item A-3**

“Good morning Mr. Chairman and Commissioners.

“Today, the Office of Enforcement is releasing its Annual Report on Enforcement. The Report provides the public with information on Enforcement staff activities in fiscal year 2013. The Report describes both public and non-public Enforcement activities, including Commission- approved settlements, investigations, and self reports closed without enforcement action or sanctions. The report also discusses Enforcement’s audits to ensure that jurisdictional companies comply with the Commission’s statutes, orders, rules, tariffs, and regulations. Finally, the report discusses the market oversight, surveillance and analysis work performed by Enforcement to assess the competitiveness and efficiency of wholesale energy markets, and to apply quantitative analysis and technical expertise to market behavior and anomalies.

“The priorities of the Office of Enforcement have not changed in the past few years. We have focused on and will continue to focus on matters involving: (1) fraud and market manipulation; (2) serious violations of the Reliability Standards; (3) anticompetitive conduct; and (4) conduct that threatens transparency in regulated markets.

“Fraud and market manipulation present a significant risk to the markets overseen by the Commission and undermine the Commission’s goal of assuring efficient energy services for consumers at a reasonable cost. In fiscal year 2013, almost half of the investigations opened involved allegations of market manipulation or false statements. Similarly, anticompetitive conduct and conduct that interferes with market transparency undermine confidence in wholesale energy markets upon which the nation’s consumers rely. Serious violations of the Reliability Standards compromise the public interest by threatening the reliable and secure operation of the bulk power system. A third of the investigations opened in fiscal year 2013 involved alleged violations of the Reliability Standards. The Office of Enforcement will continue to give high priority to these matters.

“Turning to Fiscal Year 2013’s accomplishments, let me begin with the Division of Investigations. The Division of Investigations entered into 19 Commission-approved settlement agreements, assessing total civil penalties of \$304 million and disgorging \$141 million, plus interest, in unjust profits. The settlements involved electric, gas, and hydro matters. They resolved, among other issues, violations of open access rules, the Commission’s anti-manipulation rule, and the Reliability Standards.

“In one of the settlements, Enforcement staff resolved the investigation of JP Morgan Ventures Energy Corporation, finding that the entity violated the Commission’s anti-manipulation rule. In settlement, the company agreed to pay \$285 million in civil penalties and disgorge \$125 million in unjust profits. This civil penalty represents the largest penalty assessed by the Commission to date.

“Another important matter is Barclays Bank PLC. Based on Enforcement’s investigation and report of findings to the Commission, the Commission found that Barclays Bank and certain of its traders violated the Commission’s anti-manipulation rule and ordered Barclays Bank to disgorge \$34.9 million in unjust profits and to pay, along with certain of its traders, more than \$450 million in civil penalties. Barclays and the traders elected to challenge the penalty in federal district court, and Enforcement filed an

action to affirm the Commission's assessment in the United States District Court for the Eastern District of California.

"Enforcement Staff's Division of Audits and Accounting completed 29 audits last year. These audits addressed financial and non-financial issues, generating 360 recommendations for corrective action and directing over \$15.4 million in refunds. Staff also continued its work with the Office of Electric Reliability, overseeing the audits conducted by the Regional Entities that enforce the Reliability Standards.

"Enforcement staff's Market Oversight continued to monitor wholesale natural gas and electric markets to identify market anomalies, inadequate or flawed market rules, and potentially improper behavior. In addition to presenting the annual State of the Markets Report and seasonal Market and Reliability Assessments, Enforcement staff continued ensuring compliance with the Commission's filing requirements such as Electric Quarterly Report filings.

"Finally, the Division of Analytics and Surveillance has continued to increase its surveillance capabilities. In fiscal year 2013, the Commission issued Order No. 771 that will enhance its ability to conduct surveillance of the electric markets. The Division reviewed numerous instances of potential misconduct and referred matters to the Division of Investigations for further investigation. The Divisions analysts also work closely with attorneys in the Division of Investigations as part of the investigative team, particularly in investigations of market manipulation.

"A copy of the Annual Report is now available on the Commission's website. This concludes Enforcement's presentation, and we are happy to answer any questions."