

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

STAFF NOTICE OF ALLEGED VIOLATIONS

(July 29, 2013)

Take notice¹ that in a nonpublic formal investigation pursuant to 18 C.F.R. Part 1b, the staff of the Office of Enforcement of the Federal Energy Regulatory Commission has preliminarily determined that JP Morgan Ventures Energy Corporation (JPMVEC) violated the Commission's Prohibition of Electric Energy Market Manipulation, 18 C.F.R. § 1c.2 (2012) by engaging in eight manipulative bidding strategies.

Staff alleges that between September 2010 and June 2011, JPMVEC engaged in five manipulative bidding strategies designed to improperly obtain payments at above-market rates from the California Independent System Operator (CAISO):

- submission of Day Ahead energy bids of -\$30/MWh (the bid floor) that falsely appeared economic to the CAISO system, but in fact led to payments to JPMVEC of tens of millions of dollars at rates far above market prices when JPMVEC's bidding strategy was fully implemented.
- submission of energy self-schedules every third hour to obtain large Day Ahead awards, combined with submission of high-priced energy bids in the intervening hours, to lead the CAISO system to pay JPMVEC at its high bid prices for ramping energy in the latter hours.
- self-scheduling the ancillary service Regulation Down while also submitting high-priced energy bids for the same hours, leading the CAISO system to pay JPMVEC millions of dollars at above-market rates for the energy needed to support the Regulation Down self-schedule.
- bidding at -\$30/MWh in the final hours of Day 1, which led to large Day Ahead awards in those hours, and then bidding at \$999/MWh for the opening hours of Day 2, which led the CAISO system to pay JPMVEC millions of dollars for ramping energy at \$999/MWh between midnight and 2 a.m. Market prices averaged around \$12/MWh during these hours of low demand.

¹ *Enforcement of Statutes, Regulations, and Orders*, 129 FERC ¶ 61,247 (2009), *order on reh'g*, 134 FERC ¶ 61,054 (2011).

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- obtaining Day Ahead awards for ancillary services, while making energy bids that made it impossible to fulfill those awards, leading the CAISO system to pay JPMVEC its bid price of \$999/MWh to exceptionally dispatch JPMVEC's plants.

Staff alleges that between October 2010 and May 2011, JPMVEC engaged in three manipulative strategies aimed at improperly obtaining excessive payments from the Midwest Independent System Operator (MISO):

- making Day Ahead bids of -\$50/MWh or -\$60/MWh in the hours before midnight on Day 1, with a Minimum Run Time of four hours, to obtain a Day Ahead award in the final hours of Day 1, followed by \$1,000/MWh energy bids and a (false) 20-hour Minimum Run Time on Day 2, leading the MISO system to pay JPMVEC \$1,000/MWh for 14 hours on Day 2;
- submission of low bids (around \$10/MWh) in odd-numbered hours and high bids (up to \$178/MWh) in even-numbered hours, leading the MISO system to pay JPMVEC for ramping energy at above-market prices in the latter hours; and
- submission of -\$15/MWh Day Ahead bids to get Day Ahead awards, followed by Real Time bids aimed at buying back those awards, to obtain unnecessary Day Ahead Market Assurance Payments from MISO.

Staff further alleges that JPMVEC violated Section 39.2.5.c of the MISO tariff by increasing the Minimum Run Time of the Kinder Jackson unit from the plant's actual Minimum Run Time of four hours to 20 hours on multiple trade dates in October and November 2010.

This Notice does not confer a right on third parties to intervene in the investigation or any other right with respect to the investigation.

Kimberly D. Bose,
Secretary.

Document Content(s)

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