

Chairman Jon Wellinghoff on CNBC Business News with reporter Kate Kelly

Kate Kelly: I'm here with Federal Energy Regulatory Commission Chairman Jon Wellinghoff who is kind enough to give us his first interview since this morning's settlement with J.P. Morgan. Chairman Wellinghoff thanks for joining us.

Chairman Jon Wellinghoff: Good morning Kate.

Kelly: Good morning. This is FERC's largest-ever settlement for energy market abuse and I'm just curious, how did things in this case get so screwed up at J.P. Morgan?

Chairman: Well it was a series of events in California and Michigan – about 12 different acts of manipulation that we specifically found in the settlement that we issued this morning. I think it was a minor matter though in the context of some of the larger events that took place for example in the early 2000s with Enron. This was really only about 1% of that event.

Kelly: Given that you mention Enron, I was going to ask, you've recently come down on a number of banks – Deutsche Bank, Barclay's, which is actually fighting your proposed settlement, and now J.P. Morgan. It's been 12 years since Enron. Congress passed a law in 2005 to help you stop this kind of activity, but why is it that energy market abuse is still happening?

Chairman: Well it's happening at a very low level. We want to make sure that people understand this. Again, what happened today with J.P. Morgan was only 1% of what happened with Enron and all the other entities back in the early 2000s, so what we're seeing here is FERC ramping up our enforcement authority and ability to go in and discover these things and find out that they're happening and cut them off very quickly and do that in a way that the markets can stay fair and open and transparent for consumers.

Kelly: Did it take a while to ramp up? I mean it has been since 2005. It's been 8 years and we've seen a rash of cases in the last two but perhaps a little bit of a quieter period in the interim. Why was that?

Chairman: Well it was because of the ramp up, quite frankly. Number one, we had to get the personnel on board. Then number two we had to start doing the analysis, and in this analysis we really have to go in depth into what's happening in these markets to determine these manipulation schemes. But now we're fully functional. We have a full complement and a full team and we're ready to ensure that these markets can be fair and open and transparent for consumers.

Kelly: OK, final question Mr. Chairman. The Federal Reserve must soon decide whether or not to allow banks to keep their physical commodities assets. JP Morgan is selling off theirs, but some others like Morgan Stanley and Goldman Sachs are still holding on to them. When the Fed asks you for your input, what will you advise?

Chairman: We welcome anybody in the markets who wants to play in those markets fairly. So whether it be banks or whether it be traditional utilities or other traders, we do not restrict anybody. We just want to make sure that they play by the rules.

Kelly: OK, thank you so much Chairman Wellinghoff and congratulations on the settlement today.

Chairman: Thank you.