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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

### NEWS MEDIA CONTACT:

Bryan Lee  
(202) 502-8680

### FOR IMMEDIATE RELEASE

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### COMMISSION CLOSES INVESTIGATION OF SUPPLY OFFERS DURING MIDWEST ISO ELECTRICITY MARKET START

The Federal Energy Regulatory Commission today terminated a preliminary investigation into supply offers by power market participants during the Midwest Independent Transmission System Operator (Midwest ISO) market launch, accepting staff's conclusions that bid offers examined were the result of market start-up and communications problems, and did not represent willful efforts to manipulate the new electricity market.

"The Commission has no more central role under the Federal Power Act than to protect against unjust and unreasonable rates and undue preference and discrimination. This investigation fulfills that statutory duty and the staff's conclusions should provide for public confidence in the marketplace," said FERC Chairman Joseph T. Kelliher.

The Midwest ISO formally launched its new competitive wholesale power market on April 1, 2005. As a transition to a fully operating market in the Midwest ISO, the Commission-approved Midwest ISO tariff required that market participants offer energy at cost during April and May.

The tariff also directed the Midwest ISO's Independent Market Monitor (IMM) to establish cost-based reference levels for each generating unit. In approving these arrangements for the first two months of the Midwest ISO market launch, the Commission required the IMM to report offers in excess of 10 percent above the reference cost levels for possible enforcement action.

In early April, the IMM notified the Commission that a number of market participants were making offers in excess of the 10 percent above reference levels threshold. The Commission commenced a preliminary investigation to determine whether any market participants were willfully violating the Midwest ISO tariff or were manipulating markets and, if so, whether enforcement action against any market participants was warranted.

The Commission's enforcement staff evaluated voluminous data responses from 45 Midwest ISO members; discussed the cost-based procedures and requirements directly with representatives of each of the 45 companies; held extended conferences with three market participants with particularly large numbers of offers referred to the Commission; screened Midwest ISO data to examine patterns of offers made by market participants; and studied the effects of offers during the market start period on the adjusted reference prices governing mitigation as of June 1, 2005.

Based upon the evidence gathered, the Commission's enforcement staff concluded that the offers above reference cost levels referred to the Commission:

- Were mainly the result of a number of practical problems confronting participants in the new market, including difficulties establishing accurate reference levels and communications problems;
- Were not willful violations of the Midwest ISO tariff;
- Were not efforts to manipulate the market;
- Represented a relatively small component of overall supply – less than 6 percent of all energy offers were referred to the Commission, and only about one-third of those offers were scheduled by the Midwest ISO;
- Had a *de minimis* effect on market prices; and
- Did not harm competition.

The Commission noted that the process of carrying out the planned cost-based offers during the first two months of the Midwest ISO market launch proved more complicated than was expected.

The Midwest ISO is headquartered in Carmel, Ind., and independently operates the electricity grid and related wholesale power market in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, Pennsylvania, South Dakota, Wisconsin, and Manitoba, Canada.

The Office of Market Oversight and Investigation's report on the investigation will be made available on the Commission's website at [www.ferc.gov](http://www.ferc.gov).