

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

STAFF NOTICE OF ALLEGED VIOLATIONS

(August 5, 2014)

Take notice¹ that in a nonpublic 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 Houlian (Alan) Chen, HEEP Fund Inc., and CU Fund Inc., and Powhatan Energy Fund, LLC, violated the Commission's Anti-Manipulation Rule, 18 C.F.R. § 1c.2 (2014) by engaging in manipulative Up To Congestion trading in the PJM Regional Transmission Organization between June and August 2010.

During this period, HEEP Fund and CU Fund were registered as market participants in PJM and were owned and controlled by Chen. Chen also traded for Powhatan, which had ultimate authority over Chen's trading activity on its behalf.

Staff alleges that between June 1, 2010 and August 3, 2010, Chen (on behalf of Powhatan, HEEP Fund, or CU Fund) engaged in Up To Congestion transactions in PJM designed to falsely appear to be spread trades, as a vehicle for collecting certain payments (called "Marginal Loss Surplus Allocation," or MLSA) from PJM. Staff alleges that Chen's trading strategy involved placing millions of megawatt hours of offsetting trades between the same two trading points, in the same volumes and the same hours—an intentional effort to cancel out the financial consequences from any spread between the two trading points while capturing large amounts of MLSA payments. Staff alleges this strategy amounted to wash trading, which has long been prohibited by the Commission.

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.

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