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“Today, the Office of Enforcement (OE) is releasing its eleventh annual Report on Enforcement. As in previous years, OE staff prepared this report to provide information about its activities over the last year. The Report discusses the activities of all four of OE’s Divisions: Analytics and Surveillance, Audits and Accounting, Energy Market Oversight, and Investigations.

“The Report summarizes audit reports, market reports, litigation filings, and Commission-approved settlements, which are publicly available on e-Library and frequently reported on in the trade press. But it goes further and also includes discussion of non-public activities, including (1) summaries of closed investigations; (2) self-reports which were closed without further action; and for the first time (3) illustrative examples of surveillance inquiries that did not result in investigations. These summaries can be helpful to companies seeking to comply with the Commission’s regulations and orders. To maintain confidentiality, the identities of companies and individuals are masked in the Report.

“To further assist the industry with compliance, the Report also includes Audit Compliance Alerts, which detail problematic areas or deficiencies that have been observed in audits conducted in the last year.

“One question we receive every year is whether there were significant changes in our activities over the course of the year. OE did see an increase in litigation activities, with five pending cases in various federal district courts. But OE also continued with its ongoing investigative, audit, surveillance and market oversight responsibilities. The lack of quorum had minimal impact. While there were a few matters that had to wait for a quorum – such as settlement agreements that had been reached between OE and certain entities under investigation – OE’s work during the year was largely unaffected.

“OE’s enforcement priorities have remained the same, as we continue to focus on four distinct areas: (1) fraud and market manipulation; (2) serious violations of the Reliability Standards; (3) anticompetitive conduct; and (4) conduct that threatens transparency in regulated markets. The Division of Investigations opened 27 new investigations in Fiscal Year 2017. The Division closed 16 investigations, with more than two thirds closed because staff concluded that the evidence was insufficient to support a finding of a violation. Five matters closed through settlement, with expected recoveries of more than \$51 million in civil penalties, and \$42 million in disgorgement of unjust profits.

“The Division of Audits and Accounting completed 11 audits of various public utility, oil pipeline, and natural gas companies during the fiscal year, making findings addressing various market reporting and transparency deficiencies, among other issues. Those audits generated a total of 301 recommendations for corrective action and directed refunds and recoveries totaling \$13.3 million. Audits and Accounting also reviewed 451 Commission filings to ensure proper accounting and advise the Commission on potential rate impacts.

“The Division of Energy Market Oversight continued to monitor the jurisdictional markets to identify market trends. In June, Market Oversight led an inter-office technical conference to discuss issues relating to the declining levels of natural gas index liquidity. It also presented the Commission’s annual State of the Markets Report and seasonal Market and Reliability Assessments, prepared briefings for policymakers outside the Commission, contributed to Commission docketed items and rulemakings, and

reviewed compliance with the Commission's filing requirements. Market Oversight also conducted ex post analyses of market data to determine whether market participants were exercising market power without effective mitigation.

"Finally, during the fiscal year, the Division of Analytics and Surveillance analyzed market and other data in 50 investigations, and continued to exercise and enhance its market surveillance capabilities. In particular, using Large Trader Report data from the CFTC, data provided by RTOs and ISOs, e-Tag data, and materials from other sources, DAS staff performed daily, weekly, and monthly screening of the wholesale natural gas and electricity markets to identify trading anomalies. It then analyzed those anomalies using other tools and information, and referred potential market misconduct to DOI. As noted earlier, this year's Report includes for the first time illustrative examples of surveillance inquiries conducted by DAS that did not result in a referral to DOI.

"Copies of OE's Annual Report are now available on the Commission's website. This concludes the presentation. I will be happy to take any questions you may have."