



FERC Annual Report on Enforcement

On November 17, 2011, FERC staff released the attached Annual Report on Enforcement. The report provides the public with information on Enforcement staff's activities in fiscal year 2011. The Report describes both public and non-public Enforcement activities, including audits, and the oversight and surveillance work performed by Enforcement to assess the competitiveness and efficiency in the wholesale energy markets. The priorities of the Office of Enforcement are: (1) fraud and market manipulation, (2) serious violations of the reliability standards, (3) anticompetitive conduct, and (4) conduct that threatens transparency in regulated markets.

FERC approved nine settlement orders between Enforcement and regulated entities, resulting in over \$2.9 million in civil penalties and over \$2.75 million in disgorgement of unjust profits. Enforcement also began implementation of its Penalty Guidelines, applying them to three penalties agreed to in settlements. Most of the investigations involved allegations of market manipulation and false statements to the Commission:

- One investigation was started as a result of a directive from the Commission.
- Two investigations were started as a result of calls made to FERC's Enforcement hotline.
- Three investigations were started as a result of referrals from other FERC offices.
- Six investigations were started after referrals from ISO/RTO market monitors.

Of the proceedings closed, FERC staff completed two investigations finding no violations and three investigations in which it found violations, but decided against pursuing enforcement actions. FERC closed nine investigations with settlement orders and one was closed with a civil penalty after a FERC order to show cause.

FERC staff reviewed 1,392 potential or confirmed violations of the NERC Reliability Standards in 270 filed notices of penalty. Staff received 107 self reports this fiscal year, closing 54 after review with no further action.

FERC also participated in two Federal District Court proceedings:

- FERC staff filed an action in the US District Court in New Jersey to enforce a subpoena against a non-cooperative witness.
- FERC staff sought an injunction in the US District Court for the Northern District of Indiana to enforce the terms of a compliance order issued under Federal Power Act (Part I) to address deficiencies under a FERC-issued hydropower license.

Enforcement staff completed 72 audits in FY 2011. The audits addressed financial and non-financial issues, generating 300 recommendations for corrective action and directing \$290,000 in refunds and the write-off of \$95.8 million in regulatory assets, and related to Commission-approved tariffs, electric quarterly reporting, affiliate transaction regulations, and fuel cost recovery mechanisms.

These annual enforcement reports are one of the best means to determine what FERC Enforcement staff believes merits investigation because the subject matter and details of most enforcement investigations are confidential.