

Summary of the FERC White Papers on Compliance and Enforcement

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FERC White Papers on Enforcement and Compliance

- **In November 2016, FERC staff released two white papers on Enforcement and Compliance:**
 - Papers are designed to be complementary in message and focus
- **The Enforcement White Paper is cast around EPC Act 2005:**
 - **Indicia of Fraud:**
 - *Illicit purpose*
 - *Uneconomic conduct*
 - *Conduct inconsistent with market fundamentals*
 - **Types of Manipulation:**
 - *Cross-market schemes*
 - *Gaming of market rules*
 - *Misrepresentations*
 - **Mitigating and Aggravating Factors:**
 - *“Commitment to compliance”*
 - *Self-reporting*
 - *Cooperation*

FERC White Papers on Enforcement and Compliance

- **The Compliance White Paper is forward-looking and provides suggestions on building an effective compliance program:**
 - Very clear in stressing that there is no “one-size fits all” solution
- **Most of the paper focuses on effective compliance practices:**
 - Designing an effective program:
 - *Organizational structure and composition*
 - *Human resources*
 - *Training*
 - *Information technology services*
 - Establishing systems to detect and deter manipulative behavior:
 - *Establishing trading rules and restrictions*
 - *Monitoring trading activities*
 - *Enforcing rules and restrictions*
 - Auditing to assess the performance of the compliance program
- **Ineffective compliance practices are identified as well**

Additional Resources

- *Market Power and Market Manipulation in Energy Markets: From the California Crisis to the Present.* Coauthored with G. Taylor, R. Broehm and P. Fox-Penner. PUR Inc. (May 2015).
- “Market manipulation and the compliance chasm.” Coauthored with J. Tsoukalis. *Energy Risk Magazine* (February 2015).
- “Using Virtual Bids to Manipulate the Value of Financial Transmission Rights.” Coauthored with H. Pfeifenberger. *The Electricity Journal*, vol. 26, issue 9, pp. 9-25 (November 2013).
- “Uneconomic trading and market manipulation.” *Energy Risk Magazine*, p. 32 (July 2013).
- “A Framework for Analyzing Market Manipulation.” Coauthored with P. Carpenter. *Review of Law & Economics*, vol. 8, issue 1, pp. 253–295 (September 2012).
- “A Comparison of Anti-Manipulation Rules in U.S. and EU Electricity and Natural Gas Markets: A Proposal for a Common Standard.” Coauthored with D. Harris. *Energy Law Journal*, vol. 33, p.1 (April 2012).
- Other documents are available at www.brattle.com.

Presenter Information



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Dr. Ledgerwood specializes in issues of market competitiveness with an emphasis on the economic analysis of market manipulation. He previously served as an economist and attorney for the FERC in its enforcement proceedings involving Energy Transfer Partners, L.P., Amaranth Advisors, LLC, and several other cases. He has built upon these experiences to develop a framework for defining, detecting and analyzing manipulative behavior. He has worked as a professor, economic consultant, attorney, and market advisor to the regulated industries for over twenty years, focusing on issues including ratemaking, power supply, resource planning, and electric asset valuations. In his broader practice, he specializes on issues in the analysis of liability and damages for actions based in tort, contract or fraud. He has testified as an expert witness before state utility commissions and in federal court.

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