From: Campbell, Michael
Sent: 6/11/2013 11:32:53 AM
To: Dietz, Sidney (/O=PG&E/OU=Corporate/cn=Recipients/cn=SBD4)
Cc:
Bcc:
Subject: RE: DR aggregator inflates baseline, agrees to $1.3M penalty

Oh, that's an interesting scam. How do the resistors help with that? I'd think capacitors would be better able to shave off periodic spikes… and would actually not be "gaming"

From: Dietz, Sidney [mailto:SBD4@pge.com]
Sent: Tuesday, June 11, 2013 11:08 AM
To: Campbell, Michael
Subject: Re: DR aggregator inflates baseline, agrees to $1.3M penalty

Oh, man, there are companies who specialize in a similar thing of gaming demand charges with MW-sized resistors. Horrible. I interviewed one of those creeps to be our deputy gm once.

Do I seem terse? Blame the thumb keyboard.

From: Campbell, Michael [mailto:Michael.Campbell@cpuc.ca.gov]
Sent: Tuesday, June 11, 2013 10:54 AM
To: Dietz, Sidney
Subject: FW: DR aggregator inflates baseline, agrees to $1.3M penalty

Wow. Who woulda thunk this kind of thing would be possible in this modern age. Of course, I'm sure nobody's ever gamed DR in California.

MC

Monday, June 10, 2013 6:04 PM ET <image001.gif>

After PJM is tipped off on Oriole ballpark lights, DR aggregator agrees to $1.3M penalty

By Marcy Crane

After witnesses reported that the lights in the Baltimore Orioles' ballpark were burning even though the team was not scheduled to play a game, FERC staff launched an investigation that ultimately resulted in demand response aggregator Enerwise Global Technologies Inc. agreeing to pay a civil penalty of $780,000 for violating FERC's anti-manipulation rule and the PJM Interconnection LLC's tariff.

FERC on June 7 <image002.gif>approved a stipulation and consent agreement under which the Comverge Inc. subsidiary will pay that penalty, make $500,000 in system improvements, and disgorge $20,726, plus interest, in unjust profits it received related to the Maryland Stadium Authority's participation in PJM's interruptible load for reliability program.

According to the order, the agreement is "a fair and equitable resolution of the matters concerned and is in the public interest, as it reflects the nature and seriousness of Enerwise's conduct."

Commission enforcement staff on June 6 <image002.gif>issued a notice revealing that its nonpublic, formal investigation led to a preliminary finding that Enerwise had violated PJM's tariff and the commission's anti-manipulation rule when participating in the grid operator's reliability-based demand response program during 2009 and 2010.

Staff alleged that Enerwise registered the MSA to provide a load reduction in the Baltimore Gas and Electric Co. zone that it knew the customer could not reliably achieve. Enerwise also instructed the MSA to take steps to establish an artificially high baseline load so it could demonstrate an inflated load reduction and misrepresented to PJM the functionality of the MSA's backup generators during an August 2009 test event, staff asserted.

The June 7 order and agreement shed more light on the allegations, which Enerwise neither admitted nor denied. FERC explained that the investigation (IN12-15) was opened after witnesses informed PJM in September 2010 that the MSA had turned on the stadium lighting at its Camden Yards baseball park in Baltimore, Md., on a non-Orioles game day two hours before an "emergency event" was scheduled to begin.

In referring the matter to the commission, PJM said the MSA's actions might have artificially increased the amount of demand reduction provided, thereby inflating potential payments, or eliminating potential shortfall penalties, to Enerwise and the MSA, FERC recounted.

Staff's subsequent investigation allegedly revealed that Enerwise advised the MSA to increase its stadium load prior to an August 2009 test event to take advantage of PJM's policy of calculating a customer's load reduction based on the difference between the metered load during the two hours prior to a load reduction event and the metered load during the event.

"Enerwise's instructions … resulted in MSA portraying a larger load reduction than actually occurred in 2009 prior to the … test event and during … three emergency events in 2010," FERC said. The agency also noted that the MSA otherwise met its load reduction obligations during those three events and neither the MSA nor Enerwise received payments based on those actions "because of PJM's detection of MSA's load irregularities."

However, staff found that Enerwise was paid for 1.8 MW of load reduction that the MSA could not have reliably provided in an emergency. Enerwise had registered the MSA for 4.6 MW of load reduction based in part on the customer's operation of two 1.8-MW backup generators even though the aggregator knew that running the two generators simultaneously could cause them to trip off-line.

In fact, staff said, Enerwise arranged to send an engineer to the MSA site to perform a one-time work-around so that the MSA temporarily could operate both generators simultaneously during the August 2009 test event. That misrepresentation of the MSA's ability to reliably operate both generators at the same time on an emergency basis resulted in Enerwise receiving unjust profits of $20,726 for the 2009/2010 PJM delivery year, FERC said.

Enerwise and staff accordingly agreed that the company would disgorge those unjust profits, plus interest, to be used or distributed in PJM's discretion for the benefit of electric ratepayers; pay a civil penalty of $780,000 to the U.S. Treasury; and make $500,000 in demand response metering and automatic load control technology improvements for PJM customers during 2013.

The company further agreed to develop and maintain an effective compliance program focusing on the tariff requirements of PJM and any other region in which it participates, as well as all applicable FERC regulations. Enerwise also said it will make semi-annual reports detailing its compliance activities for one year, followed by an additional year of reporting at staff's discretion.

In determining the appropriate remedy, staff took into account certain factors, such as that Enerwise's violations caused less than $200,000 of market harm and lasted less than 250 days, the company had no prior history of such violations and no documented compliance program, and Enerwise cooperated fully during all aspects of the investigation, FERC said. On the other hand, staff noted that a member of the company's senior management was involved in the violations.

BG&E is a subsidiary of Exelon Corp.