



## FERC Issues Notice of Alleged Natural Gas Market Manipulation

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On July 9, 2014, the Federal Energy Regulatory Commission (FERC) issued a [Staff Notice of Alleged Violations](#) (Preliminary Notice) stating that FERC's Office of Enforcement has preliminarily determined, in a non-public investigation, that Direct Energy LLC (Direct Energy) violated FERC's anti-market manipulation rule in 18 C.F.R. § 1c.1 by making "illegal trades of physical gas at Algonquin on May 1, 2, 7, 8, and 9, 2012 and at Transco Zone 6 on May 11, 2012, designed to move the market to benefit [its] related financial positions." The Preliminary Notice does not provide additional details regarding the investigation or the alleged manipulation.

The Preliminary Notice represents another example of the increasingly common market manipulation case involving the sort of "tool and target" framework that Office of Enforcement director and still pending FERC nominee Norman Bay [described in Senate subcommittee testimony in January 2014](#). Under that framework, alleged market manipulation often, as here, involves conduct in a FERC-jurisdictional physical market (the tool) designed to raise or lower prices in that market for the purpose of improving a "benefitting position" in a related physical or financial market (the target, which sometimes is not FERC-jurisdictional).

## Categories

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