



FERC Issues Notice of Alleged PJM Market Manipulation to Alan Chen and Powhatan Energy Fund, LLC

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The Preliminary Notice alleges that, between June 1, 2010, and August 3, 2010, Mr. Chen, on behalf of his companies and Powhatan, “engaged in up-to congestion transactions in PJM designed to falsely appear to be spread trades, as a vehicle for collecting” Marginal Loss Surplus Allocation payments—a type of rebate then available for certain types of trades—from PJM. The Preliminary Notice further alleges that Mr. Chen’s trading strategy “involved placing millions of megawatt hours of offsetting trades between the same two trading points, in the same volumes and the same hours,” representing “an intentional effort to cancel out the financial consequences from any spread between the two trading points while capturing large amounts of MLSA payments.” This trading strategy allegedly “amounted to wash trading, which has long been prohibited” by FERC. The Preliminary Notice does not provide any additional details regarding the investigation or the alleged manipulation.

Mr. Chen and Powhatan, through the [*FERC vs. Powhatan Energy Fund, LLC*](#) website, which includes video testimonials from a variety of independent energy industry experts, maintain that the trading activity at issue did not constitute market manipulation but was legitimate statistical arbitrage under the PJM market rules in effect at the time.

¹ See, e.g., *PJM Interconnection, L.L.C.*, 132 FERC ¶ 61,244 at P 2 (2010).

Categories

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