

## Hildebrandt, Eric

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**From:** Leuze, Eric  
**Sent:** Tuesday, November 21, 2000 1:35 PM  
**To:** Casey, Keith; Hildebrandt, Eric; Kristov, Lorenzo; Rahimi, Farrokh; Sheffrin, Anjali  
**Subject:** RE: Congestion Scam.....

Keith:

It appears your comment narrowly responds to the "phantom wheel" game. This is not Sempra's only play. They also schedule counter flow and then bid Supp Energy in the opposite direction, and then cut the counter schedule if the Supp bid isn't accepted, etc. I think we need to consider near term solutions.

Eric

-----Original Message-----

**From:** Casey, Keith  
**Sent:** Tuesday, November 21, 2000 10:32 AM  
**To:** Hildebrandt, Eric; Kristov, Lorenzo; Rahimi, Farrokh; Sheffrin, Anjali  
**Cc:** Leuze, Eric  
**Subject:** RE: Congestion Scam.....

I'll take a look at this but in discussing this issue with Farrokh, it comes down to a seams issue. Because the neighboring control area does not base transmission (wheeling) charges on zonal energy price differentiation, Sempra is able to profit from these schedules. This is an RTO seam issue that ought to be addressed by Congestion Management Reform. Some suggestions for addressing it are:

1) Neighboring control areas could develop a forward market settlement that bases transmission charges on forward zonal prices.

2) Should the ISO modify the BEEP software, as proposed under CMR, to generate separate real-time energy prices for external congestion zones, neighboring control areas could base transmission (wheeling charges) on real-time zonal price differentiation.

Keith

-----Original Message-----

**From:** Hildebrandt, Eric  
**Sent:** Tuesday, November 21, 2000 8:32 AM  
**To:** Casey, Keith; Kristov, Lorenzo; Rahimi, Farrokh; Sheffrin, Anjali  
**Subject:** FW: Congestion Scam.....

This looks like something we should open an official investigation on and/or include in the FTR analysis.

Anjali -- would you like this to be formally assigned to someone?

-----Original Message-----

**From:** Leuze, Eric  
**Sent:** Monday, November 20, 2000 8:23 AM  
**To:** Peters, Dennis; Rahman, Brian  
**Cc:** Binstein, Joe; Hildebrandt, Eric; Fuller, Don; Miremadi, Ali; Sullivan, Robert; Myers, Mark  
**Subject:** RE: Congestion Scam.....

Dennis:

This is far from a one-time event. Sempra uses this and similar practices to earn congestion revenues for scheduled counter-flows that fail to materialize in real time. Mark Myers has been working with Bob Sullivan on this issue, and can provide additional examples and explanation of the associated problems.

Our schedulers have clearly explained to Sempra's operators the problems caused by these practices. I think its time to suggest that ISO Management report this activity to the ISO Governing Board, and elevate this to Sempra's management immediately. I think we need to evaluate ASAP the feasibility of zeroing out the offending schedules, and not paying the congestion revenues when this occurs in real time.

Eric

-----Original Message-----

**From:** Peters, Dennis

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**CAISO - 993**  
5/17/02 Supp. Resp. to 5/7/02  
FERC Subpoena in PA02-2-000

Sent: Monday, November 20, 2000 8:08 AM  
To: Rahman, Brian  
Cc: Leuze, Eric; Binstein, Joe; Hildebrandt, Eric; Fuller, Don; Miremadi, Ali  
Subject: RE: Congestion Scam.....

Brian et al,

I understand the issue and will discuss it with my contacts at SEMPRA about it. Before I do, are there other specific examples where SEMPRA has done this, or is this a one-time event?

Thanks,

Dennis

-----Original Message-----

From: Rahman, Brian  
Sent: Thursday, November 16, 2000 2:31 PM  
To: Leuze, Eric; Sheffrin, Anjali; Hildebrandt, Eric; Peters, Dennis  
Cc: Binstein, Joe; Nickel, Judy; Sullivan, Robert  
Subject: FW: Congestion Scam.....

All,

This is clearly an exploitation of our system for financial gain, regardless of the fact that the system does not prevent it and the dollars are not very large. They are feeling things out to see what they can get away with. This type of activity results in price manipulation as well as unnecessary work for our dispatchers.

Dennis,

Can we please contact them and quiz them a bit on this practice and request an explanation. It would appear to me that they are providing false information to our dispatchers based on the conversations Joe has had with them and APS. Please let me know what you find out.

Joe, Thanks for identifying this.

Thanks,  
Brian

-----Original Message-----

From: Binstein, Joe  
Sent: Thursday, November 16, 2000 1:04 PM  
To: Rahman, Brian  
Cc: Sullivan, Robert  
Subject: Congestion Scam.....

For HE 1400 today SETC was awarded 75mw in at MEAD and out at FCORNR by congestion management. Then SETC purchases 75mw OASIS transmission from APS from FCORNR to MEAD. We think we are wheeling 75mw, APS thinks they are wheeling 75mw. When you ask SETC who is generating the 75mw they say it's APS, and if you ask APS they'll tell you they're just wheeling ISO generation. The only thing being generated here is the \$45/mw congestion revenue for SETC at FCORNR. Please take a look.

Thanks,  
Joe

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**CAISO - 994**  
5/17/02 Supp. Resp. to 5/7/02  
FERC Subpoena in PA02-2-000