

CALIFORNIA POWER EXCHANGE
Office of the Chief Executive Officer

In order to avoid the time, expense and uncertainty of an investigation, Enron Power Marketing, Inc. ("Enron" or the "Respondent") hereby submits an Offer of Settlement with respect to its activities in the CalPX Day-Ahead Market on May 24, 1999.

Enron neither admits nor denies the allegations of the California Power Exchange ("CalPX") as set forth in the Stipulation of Facts and Findings, below; and this Offer of Settlement and the Stipulation of Facts and Findings do not constitute such an admission.

Consent to Judgment and Waiver of Review

Enron consents to the issuance of a decision based upon the Stipulation of Facts and Findings, below.

Should the Chief Executive Officer of the CalPX determine to accept this Offer of Settlement, the Respondent acknowledges that it will be bound by all the terms, conditions, representations, and acknowledgments contained in this Offer of Settlement and will not seek review of the decision and order issued by the Chief Executive Officer based upon this Offer of Settlement. If the Chief Executive Office determines not to accept this Offer of Settlement, all representation and acknowledgments contained herein shall be withdrawn and treated as though they had never been offered.

Stipulation of Facts and Findings

1. During all relevant periods herein, Enron was a Participant in the CalPX.
2. During all relevant periods herein, Scheduling Protocol Section 4.1.1(b) and Tariff Section 3.3.5 were in full force and effect. Section 4.1.1(b) states in pertinent part that a CalPX Participant, who has submitted a successful supply portfolio bid for energy to be imported from another control area, shall specify to the CalPX the scheduling point that it will use "in order to fulfill the PX Participant's aggregate obligation to supply Energy." (Quoting Section 4.1.1(a).) Section 3.3.5 obligates any successful PX Participant that has used portfolio bidding "to convert the portfolio to site and resource specific information" The full text of Scheduling Protocol Sections 4.1.1(a) and (b) and Tariff Section 3.3.5 appears in Appendix A to this Offer of Settlement.
3. On May 24, 1999, at 6:10 a.m., Enron submitted four portfolio supply bids totaling 2900 MWs for the 16 on-peak hours in the CalPX Day-Ahead Market.
4. At 7:01 a.m. on this same day, the CalPX notified Enron that it was the successful bidder for 2900 MWs in hours 8-22 and 2381 MWs in hour 7.
5. At 7:29 a.m. on this same day, Enron submitted a schedule identifying Silver Peak (SP 15) as the line on which it would deliver its aggregate award of 2900 MWs for hours 8-22 and 2381 MWs for hour 7. Enron knew or should have known that Silver Peak had a

rated capacity of 15 MWs. Enron also knew or should have known that there had never before been a counterflow on the Silver Peak line that was large enough to balance the excess 2885 MWs in hours 8-22 and 2366 MWs in hour 7 and Enron had no knowledge from which to conclude that such a counterflow could be expected on the Silver Peak line in the Day-Ahead Market for May 25, 1999.

6. Thereafter, at 11:17 a.m. on May 24, 1999, Enron received a telephone call from staff at the California Independent System Operator ("CAISO"). In this conversation, Enron agreed that it had scheduled 2900 MWs on a 15 MW line. In response to questions posed by CAISO, Enron stated that it had not submitted the schedule in error and that it did not want an opportunity to change the schedule.
7. As a result of Enron's schedule on the Silver Peak line, CAISO initiated the congestion management process.
8. Enron knew or should have known that the congestion management process would be initiated.
9. Therefore, the Compliance unit CalPX has determined that the acts, practices and conduct described in paragraph 5 above constitute a violation of Scheduling Protocol Section 4.1.1(b) and Tariff Section 3.3.5 in that Enron knew or should have known that the schedule it submitted exceeded the rated capacity of the line, and that Enron had no reasonable expectation that another entity would create a counterflow for the difference between the rated capacity of the line and the total of Enron's portfolio bids for each hour.

Further Acknowledgments, Terms and Conditions

Respondent agrees that it will not (1) engage in substantially the same conduct as that described in paragraph 5 of the Stipulation of Facts and Findings, and (2) violate Scheduling Protocol Section 4.1.1(b) and Tariff Section 3.3.5.

Respondent agrees that it will immediately pay the CalPX the amount of \$25,000.00 to help defray the cost of the inquiry into the events occurring on May 24, 1999.

Respondent states that it has read the foregoing Offer, that no promise or inducement of any kind has been made to Respondent by the CalPX or its staff, and that this Offer of Settlement is a voluntary act on Respondent's part. Respondent approves entry of a decision and order embodying the contents of this Offer of Settlement and acknowledges that a summary of such decision and order will be distributed to all CalPX Participants and the CalPX Governing Board.

Dated: April 27, 2000

ENRON POWER MARKETING, INC.

By: 

Title: PRESIDENT + CHIEF OPERATING OFFICER ^{RS}