COMMISSION APPROVES $13.8 MILLION SETTLEMENT WITH RELIANT ENERGY OVER PHYSICAL WITHHOLDING IN CALIFORNIA POWER EXCHANGE MARKET

The Federal Energy Regulatory Commission today approved a staff settlement calling for Reliant Energy to pay $13.8 million for limiting the amount of power it offered to the California Power Exchange (CalPX) for delivery on June 21 and 22, 2000.

The payment will go directly to CalPX customers for those two days.

The Commission directed Houston-based Reliant to make such payments within 15 days of its receipt of necessary data from the CalPX, which has seven days to get the information to the company. Reliant has a further 15 days to report to the Commission that it has completed the payments.

Reliant's payment will put CalPX customers in the position they would have been in if the company had bid into the market as a "price taker." The payment reflects a worst case scenario of the effect of Reliant's withholding on the California market.

Reliant employees reduced the amount of power offered to the CalPX on a day-ahead basis below the amount that would normally have been offered. Statements made by some of Reliant's traders indicate that the reason for reducing bids was an attempt to increase prices.

Reliant indicated that in June 2000 some traders attempted to increase CalPX day-ahead prices in the belief that this might mitigate losses in Reliant's existing forward positions. The vice-president of power trading, who is no longer with the company, directed traders to take such actions.
The settlement with Reliant stems from a staff investigation ordered by the Commission in February 2002 of short-term prices for electric energy or natural gas in the West in 2000 and 2001. This investigation continues and is expected to be completed in the first quarter of this year.

The Reliant payment reflects the maximum possible difference in CalPX clearing prices between the actual prices on those days and the prices that would have prevailed if Reliant had offered the average amount of megawatts bid during the weekdays of the prior two weeks.

"Reliant has fully cooperated with staff in this investigation and has consented to the agreement in an effort to resolve, in good faith, any possibility that Reliant's actions may have resulted in rates that harmed customers in the CalPX on June 21 and 22, 2000," the Commission said in its order approving the settlement.

As part of the settlement, Reliant agrees to abide by a must-offer obligation to submit bids for all uncommitted, available capacity from its plants in California, a requirement that will be implemented through a condition in Reliant's market-based rate tariffs.

Reliant must also retain an independent engineering company for 24 months to determine that any outages at its California generating plants are legitimate, with the audits sent directly to the Commission.

The agreement does not address issues pending in any other docketed proceeding, including the refund proceeding in Docket No. EL00-95-045.