ENRON TRADING STRATEGIES

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Fat Boy

The fat boy trading strategy involved a scheduling coordinator, such as Enron, artificially increasing ("inc-ing") load on the schedule it submits to the Cal ISO to correspond with the amount of generation in its schedule. Under California market rules, all schedules submitted to the Cal ISO had to be balanced (i.e., load and generation had to be equal). The company then dispatched the generation it scheduled, which was in excess of its actual load. This resulted in the Cal ISO paying the company for the excess generation at the clearing price established in the real-time market.

Thin Man

The Enron trading strategy called "thin man" (described as the opposite of the strategy called "fat boy") involved submitting a false schedule that artificially decreased load in California and an equal amount of energy exports.

Death Star

In death star, a company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid.

Load Shift

The trading strategy known as load shift involves a company submitting an artificial load schedule in order to receive interzonal transmission congestion payments. Load shift involves deliberately creating congestion on a transmission line to increase the value of Enron's transmission rights and is clearly an attempt to manipulate prices.

Get Shorty

In this trading strategy, Enron would commit to provide the ancillary services in the Cal PX's day-ahead market and then cover its position by purchasing those services in the Cal ISO's hour-ahead market. There is a legitimate profit motive here: to sell high in the day-ahead market and buy back at a lower price in the real-time market. Staff notes that Cal ISO Tariff Amendment No. 4, which the Commission accepted for filing, permits the buyback of ancillary services as a legitimate form of arbitrage.

Wheel Out

In a wheel-out, a company, knowing that an intertie is completely constrained (that is, its available capacity is set as zero) or out of service, schedules a transmission flow over the facility, knowing that the schedule will be cut and that it will receive a congestion payment without actually sending energy over the facility. In a non- firm export, a company gets a counterflow congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California and cutting the non-firm energy after it receives such payment.

Ricochet

The trading strategy known as "ricochet" or "megawatt laundering" involved one entity buying energy from the Cal PX in the day-ahead market and exporting it to a second entity, which received a fee from the first company. The energy was later sold to the Cal ISO in the real-time market (or as an out-of-market sale).