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To: Corrections/Editor, New York Times

I would like to correct quotes attributed to me in the article “Traders Profits as Power Grid is Overworked,” by Julie Creswell and Robert Gebeloff that appeared on August 15, 2014. First, the last time I communicated with the authors was in April of 2014. Second, the statements quoted were taken completely out of context. Finally, the title and content of their article is contrary to the main point I made when I spoke with each of the authors.

Regarding my first point, it seems inappropriate, at best, for a journalist to use a quote from almost 4 months ago, a quote discussing a hypothetical situation, and apply it to a specific set of circumstances in the future. During my conversations with Creswell and Gebeloff, I noted that there were hypothetical instances when energy traders could take actions that increase costs to consumers. However, the major focus of my remarks was on how traders in fact benefit market efficiency and can reduce costs to consumers.

Regarding my second point, during our discussions I stressed that actions by traders to raise consumer costs could not persist indefinitely, because the traders who failed to provide services desired by consumers would lose business to those who did provide those value-added services that consumers were willing to pay for. Competition among traders provides strong incentives for them to serve the interests of consumers.

Finally, I summarized the results of some my recent economic research demonstrating that the actions of energy traders in the California wholesale electricity market--called “convergence or virtual trading”--reduced the cost of serving electricity demand in California by tens of millions of dollars annually. To quote from my e-mail to Robert Gebeloff on February 2, 2014, “Here’s a copy of a paper I wrote on virtual trading which finds significant economic benefits from these trading activities—total operating cost savings in California in the high tens of millions of dollars per year.” There was no discussion of this research in the Creswell and Gebeloff article.

It is unfortunate that Creswell and Gebeloff decided to present a one-sided view of the activities of traders and, from my point of view, even more unfortunate that they decided to take my quotes completely out of context. A balanced discussion of the role that traders play—both in improving market efficiency and reducing consumer costs as well as in the potential downside they discuss--may not make as sensational a story, but it is far closer to the truth.