Although Enron consisted of several different companies, including wholesale and global services, it is most known for its energy services. Before its collapse, Enron’s largest contribution to the energy industry has been to create a market in which energy can be traded like any other commodity. Its innovative mindset led Enron to grow quickly during its 15-year heyday, but it could not prevent the bankruptcy.


The idea behind Enron was not the traditional business model of innovative products and competitive prices. Instead, Enron was built on the principle that speculation on energy contracts could be more profitable than energy production. This was only possible if its trading practices were hidden and the market was deregulated, permitting exploitation of prices and supply.


In 1998, the newly created headquarters for Enron Energy Services (EES) staged activity in their trading room to give analysts the impression of a booming business. According to Joseph Phelan, the ex-director of EES, extra staff members were placed on the trading floor to answer fake phone calls, in a “carefully choreographed” endeavor to cover up the lagging business. The article points out that this wasn’t illegal, but it was indicative of Enron’s top-down “culture of dishonesty.”


Energy officials claim Enron’s practice of trading energy contributed to the California energy crisis in 2001. While promising the public lower prices, Enron took advantage of the deregulation by trading electricity among its affiliates. These “sham transactions” resulted in prices five times higher than those in Texas, which Senator Joe Dunn called “perhaps the greatest fraud ever perpetrated on the American consumer.”


In addition to manipulating energy prices, Enron documents show that the company was involved in fake energy shortages and “transmission line congestion” charges. Enron profited from this by purchasing energy from California producers and reselling it outside the state at nearly five times the original purchase price. The revealing documents, which Enron attempted to hide from state investigators, imply that the company was well aware that their actions were unethical.