

June 30, 2020

Via Electronic Filing

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: *Eleventh Annual Informational Report of the Independent Auction Monitor
Docket Nos. ER09-88, ER17-514*

Dear Ms. Bose:

The Brattle Group (“*Brattle*”), as the Independent Auction Monitor (“IAM”) for the Southern Companies’ Day-Ahead and Hour-Ahead Energy Auctions in the Southern Balancing Authority Area (“Auction”), hereby submits its eleventh annual informational report (the “Annual Informational Report”).

Consistent with prior annual reports, the Annual Informational Report, attached as Exhibit A, addresses the following: (1) the clearing price for each Auction; (2) the amount of energy offered and sold by each seller (identified by name) in each Auction; (3) the amount of energy bid on and purchased by each buyer in each Auction; (4) any instances where the IAM was unable to verify Southern Companies’ available capacity calculations or inputs; and (5) any instances where issues arose involving availability of or the terms for transmission service needed to accommodate an Auction purchase. It also reports on the Southern Companies’ compliance with applicable Energy Auction Tariff requirements. The Annual Informational Report is submitted with our best efforts, as economists, to serve the purpose of the IAM as articulated in the Federal Energy Regulatory Commission’s orders.¹

Brattle is submitting a non-public and a public version of the Annual Informational Report. *Brattle* requests confidential and privileged treatment for the non-public version of the Annual Informational Report in accordance with 18 C.F.R. §§ 388.107 and 388.112. *Brattle* is authorized to represent that Southern Companies join in this request for confidential and privileged treatment. A justification for the

¹ *Southern Company Services, Inc.*, 125 FERC ¶ 61,316 (2008); *Southern Company Services, Inc.*, 134 FERC ¶ 61,226 (2011); *Alabama Power Company*, 158 FERC ¶ 61,131 (2017).

PUBLIC VERSION—REDACTED

redactions in the public version of the Annual Informational Report has been developed by Southern Companies, and is attached as Exhibit B.

Pursuant to 18 C.F.R. § 388.112(d) and (e), the following individuals should be notified of any request or decision to release the non-public version of the Annual Informational Report or any part thereof and should be given opportunity to comment on any request for release:

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Thank you for your attention to this matter. Please direct any questions concerning this submission to the undersigned.

Respectfully submitted,

/s/Dean M. Murphy
Dean Murphy

Attachments

cc: All Parties (with public version of Exhibit A)

PUBLIC VERSION—REDACTED

Exhibit A

Independent Auction Monitor's Annual Informational Report

(Public Version—Redacted)

**Informational Report for
The Southern Companies'
Energy Auction**

April 24, 2019 to April 23, 2020

PREPARED FOR



THE FEDERAL ENERGY
REGULATORY COMMISSION

SUBMITTED BY

The Brattle Group
Independent Auction Monitor

JUNE 30, 2020

THE **Brattle** GROUP

Informational Report
for
The Southern Companies' Energy Auction
April 24, 2019 to April 23, 2020

Docket Nos. ER09-88, ER17-514

June 30, 2020

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The views expressed in this report are those of the authors and do not necessarily reflect the views of The Brattle Group, Inc. or Van Ness Feldman, LLP.

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I. Introduction and Overview

This is the eleventh annual report reviewing the Southern Companies’¹ Day-Ahead Energy (“DAE”) and Hour-Ahead Energy (“HAE”) auctions (collectively the “Energy Auction” or “Auction”), as administered by their agent Southern Company Services Inc. (“SCS”). This report has been prepared by The Brattle Group (“Brattle”), which serves as the Independent Auction Monitor (“IAM”), and is being provided to the Federal Energy Regulatory Commission (“FERC” or “Commission”) in order to provide the Commission with information regarding our ongoing monitoring of the Energy Auction. This report includes:

- a. The clearing price for each Auction that cleared;
- b. The amount of energy offered and sold by each seller in each Auction;
- c. The amount of energy bid on and purchased by each buyer in each Auction;
- d. Instances where the IAM was unable to verify SCS’s Available Capacity calculations, or inputs used in those calculations;
- e. Instances where issues arose involving the availability or terms of transmission service needed to accommodate an Energy Auction purchase;
- f. Changes in the IAM’s protocols;
- g. Any instances in which the IAM has reported complaints regarding the Energy Auction or other serious matters to FERC;
- h. Any instances of suspected Energy Auction manipulation or other questionable behavior related to the Energy Auction by any Auction Participant;
- i. Confirmation as to whether SCS complied with the Energy Auction Tariff² regarding the handling of Auction Participant confidential information; and
- j. Confirmation as to whether, in the judgment of the IAM, the Energy Auction is being properly administered in accordance with the Energy Auction Tariff, with due regard for its nature and complexity.

¹ Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Southern Power Company are referred to collectively as “Southern Companies.” Southern Companies recently sold Gulf Power Company to NextEra Energy, as discussed in Section V.A.

² Southern Companies’ market-based rate tariff includes several relevant segments: General Tariff Provisions; Rules of the Energy Auction (“Auction Rules”); Rules on Southern Companies’ Energy Auction Participation (“Participation Rules”); and Appendices DA-1, DA-2, HA-1, and HA-2 to the Participation Rules. Alabama Power Company Market Based Rate Tariff and Southern’s Tariff Volume No. 4 (effective February 8, 2017). We refer to these documents collectively as “the Tariff.”

The review period for this informational report is April 24, 2019 through April 23, 2020.³ The rest of the report is organized as follows. Section II summarizes the clearing price of each cleared Firm-LD and Recallable DAE auction, and each cleared HAE auction. Sections III and IV provide information about the participation of Energy Auction offerors and bidders, respectively. Section V summarizes changes in the Auction and in our monitoring and verification protocols during the current review period. Section VI summarizes the results of our monitoring, including those instances in which SCS did not fully comply with the Tariff. Section VII contains the summary report of the IAM’s legal advisor, Van Ness Feldman, LLP (“Van Ness Feldman”), which assisted in monitoring compliance with the data restrictions contained in the Tariff. Lastly, Section VIII provides our conclusions and a summary of our observations.

SUMMARY OF CONCLUSIONS

To the best of our ability to ascertain, and with the specific exceptions identified in this report, we have found that SCS has complied with the requirements of the Tariff throughout the review period. We found no evidence of attempts to manipulate the Auction or other questionable behavior by any Auction Participant, nor did we receive any complaints regarding the availability or the terms of transmission service needed to accommodate an Energy Auction purchase. Van Ness Feldman’s review of compliance with the Tariff’s data restrictions found that SCS has been diligent in its efforts to comply with the applicable Tariff requirements related to safeguarding confidential bid and offer information, and further found no evidence that SCS marketing function employees had any improper access to confidential bid or offer information during the review period. Lastly, we did not receive any complaints relating to the Energy Auction or discover other serious matters that would have prompted an interim report to the Commission.

II. Clearing Price for Each Energy Auction

During the review period, no DAE auctions cleared for either Firm-LD or Recallable energy (*i.e.*, none matched a buyer’s bid with a seller’s offer), as shown in Table 1. In Year 10, one Firm-LD auction cleared, and one Recallable auction cleared.

Table 1
DAE Cleared Auctions: Clearing Price and Quantity

<i>Delivery Date</i>	<i>Product</i>	<i>Offer MW</i>	<i>Bid MW</i>	<i>Lowest Offer (\$/MWh)</i>	<i>Highest Bid (\$/MWh)</i>	<i>Cleared MW</i>	<i>Clearing Price (\$/MWh)</i>	<i>Winning Bidders</i>	<i>Total Number of Bidders</i>	<i>Winning Offerors</i>
NO DAE AUCTIONS CLEARED DURING THE REVIEW PERIOD										

During the current review period, 219 HAE auctions cleared, compared with 123 in Year 10. Because of the large number of HAE auctions cleared in this review period, a monthly summary is provided in Table 2, with detail on individual clearings provided in Table 2A. [REDACTED]

³ Throughout this report, we sometimes refer to the current review period as “Year 11,” and to the previous review period, covering April 24, 2018 through April 23, 2019, as “Year 10.”

[REDACTED] . A total of 17,595 MWh cleared through the HAE auction, considerably more than the 9,508 MWh cleared in Year 10. The transaction size ranged from 4 to 400 MW and the weighted-average clearing price was [REDACTED].

Table 2
Monthly Summary of HAE Auction Clearings

<i>Month</i>	<i>Number of Clearings</i>	<i>Average MW Offered in Cleared Auctions</i>	<i>Average MW Bid in Cleared Auctions</i>	<i>Average MW Cleared</i>	<i>Clearing Price (Weighted Average \$/MWh)</i>
April 24 - 30, 2019	1				
May 2019	0				
June 2019	7				
July 2019	6				
August 2019	12				
September 2019	25				
October 2019	24				
November 2019	36				
December 2019	10				
January 2020	2				
February 2020	13				
March 2020	36				
April 1 - 23, 2020	47				
<i>Total/Average</i>	219				

Table 2A
HAE Cleared Auctions: Clearing Price and Quantity

Delivery Date	Hour Ending (CPT)	Offer MW	Bid MW	Lowest Offer (\$/MWh)	Highest Bid (\$/MWh)	Cleared MW	Clearing Price (\$/MWh)	Winning Bidders	Total Number of Bidders	Winning Offerors
4/26/2019	24						20.52			
6/2/2019	1						15.57			
6/3/2019	1						17.26			
6/15/2019	7						18.00			
6/16/2019	19						33.00			
6/21/2019	17						42.24			
6/21/2019	19						40.46			
6/21/2019	20						35.53			
7/15/2019	12						37.17			
7/25/2019	13						33.75			
7/25/2019	14						34.04			
7/25/2019	15						33.68			
7/25/2019	18						35.74			
7/26/2019	12						35.97			
8/3/2019	17						34.00			
8/3/2019	18						33.69			
8/12/2019	24						14.82			
8/14/2019	1						25.14			
8/14/2019	2						24.20			
8/14/2019	24						23.82			
8/26/2019	14						24.76			
8/28/2019	2						19.36			
8/30/2019	8						19.86			
8/30/2019	14						32.93			
8/30/2019	15						34.51			
8/30/2019	23						24.15			
9/3/2019	11						34.15			
9/15/2019	15						36.93			
9/15/2019	18						38.09			
9/15/2019	19						38.84			
9/16/2019	19						36.75			
9/16/2019	20						38.23			
9/16/2019	23						33.89			
9/24/2019	1						17.61			
9/24/2019	2						20.24			
9/24/2019	3						19.87			
9/24/2019	4						19.59			
9/24/2019	5						22.00			
9/25/2019	20						35.55			
9/27/2019	22						32.37			
9/29/2019	19						35.86			
9/30/2019	7						30.99			
9/30/2019	8						32.34			
9/30/2019	9						33.04			
9/30/2019	14						41.91			
9/30/2019	16						53.03			
9/30/2019	17						54.54			
9/30/2019	18						46.74			
9/30/2019	19						47.00			
9/30/2019	21						36.00			
9/30/2019	22						35.89			
10/1/2019	15						51.53			
10/1/2019	16						52.13			
10/1/2019	17						53.08			
10/1/2019	18						46.70			
10/1/2019	19						46.40			
10/1/2019	20						45.31			
10/1/2019	21						36.21			
10/2/2019	18						52.18			
10/3/2019	19						30.00			
10/6/2019	2						25.00			
10/6/2019	3						20.72			
10/6/2019	23						25.08			
10/9/2019	8						32.12			
10/10/2019	2						19.71			
10/10/2019	3						18.69			
10/10/2019	4						18.66			
10/10/2019	23						23.68			
10/10/2019	24						23.28			
10/11/2019	5						19.58			
10/22/2019	18						33.63			
10/24/2019	4						19.70			
10/24/2019	24						20.45			
10/29/2019	17						23.00			

Table 2A (continued)
HAE Cleared Auctions: Clearing Price and Quantity

Delivery Date	Hour Ending (CPT)	Offer MW	Bid MW	Lowest Offer (\$/MWh)	Highest Bid (\$/MWh)	Cleared MW	Clearing Price (\$/MWh)	Winning Bidders	Total Number of Bidders	Winning Offerors
10/29/2019	18						22.00			
11/2/2019	24						24.97			
11/3/2019	1						20.78			
11/3/2019	3						20.42			
11/4/2019	2						22.79			
11/4/2019	8						33.74			
11/4/2019	18						35.15			
11/4/2019	19						34.80			
11/5/2019	12						25.00			
11/9/2019	14						22.00			
11/10/2019	13						18.00			
11/10/2019	23						22.28			
11/23/2019	10						20.07			
11/23/2019	11						20.00			
11/28/2019	12						20.46			
11/28/2019	13						19.48			
11/28/2019	15						17.16			
11/28/2019	16						16.91			
11/28/2019	17						17.83			
11/29/2019	8						19.55			
11/29/2019	9						19.92			
11/29/2019	11						18.07			
11/29/2019	12						17.83			
11/29/2019	13						17.55			
11/29/2019	14						17.56			
11/29/2019	15						17.54			
11/30/2019	9						19.51			
11/30/2019	10						19.01			
11/30/2019	11						18.46			
11/30/2019	12						17.79			
11/30/2019	13						17.95			
11/30/2019	14						17.57			
11/30/2019	15						17.63			
11/30/2019	16						19.81			
11/30/2019	17						20.00			
11/30/2019	18						21.00			
11/30/2019	20						19.41			
12/4/2019	9						23.00			
12/5/2019	10						23.66			
12/5/2019	21						23.58			
12/5/2019	22						26.44			
12/18/2019	9						25.28			
12/19/2019	8						35.83			
12/21/2019	11						22.09			
12/21/2019	12						19.44			
12/21/2019	13						21.18			
12/21/2019	14						22.84			
1/9/2020	2						19.45			
1/9/2020	3						20.12			
2/1/2020	15						17.28			
2/1/2020	16						17.27			
2/6/2020	11						23.00			
2/6/2020	19						24.75			
2/11/2020	8						21.68			
2/11/2020	9						21.97			
2/11/2020	10						23.28			
2/11/2020	11						23.40			
2/11/2020	12						23.00			
2/13/2020	19						20.43			
2/21/2020	23						22.49			
2/22/2020	6						30.57			
2/22/2020	10						22.28			
3/11/2020	6						21.97			
3/14/2020	12						20.21			
3/14/2020	14						21.25			
3/14/2020	15						22.94			
3/14/2020	16						25.17			
3/14/2020	17						26.88			
3/14/2020	18						26.58			
3/15/2020	13						20.95			
3/15/2020	14						21.92			
3/15/2020	15						23.44			
3/15/2020	16						23.30			
3/15/2020	17						22.71			

Table 2A (continued)
HAE Cleared Auctions: Clearing Price and Quantity

Delivery Date	Hour Ending (CPT)	Offer MW	Bid MW	Lowest Offer (\$/MWh)	Highest Bid (\$/MWh)	Cleared MW	Clearing Price (\$/MWh)	Winning Bidders	Total Number of Bidders	Winning Offerors
3/15/2020	18						23.87			
3/15/2020	20						23.59			
3/15/2020	21						22.00			
3/16/2020	8						22.44			
3/16/2020	9						22.51			
3/16/2020	10						21.08			
3/22/2020	7						13.34			
3/23/2020	16						23.45			
3/23/2020	17						26.00			
3/27/2020	8						13.00			
3/27/2020	12						15.00			
3/27/2020	18						29.17			
3/27/2020	19						26.70			
3/27/2020	20						25.20			
3/27/2020	21						25.95			
3/28/2020	8						8.00			
3/28/2020	9						8.00			
3/29/2020	8						8.00			
3/30/2020	17						23.63			
3/30/2020	18						23.74			
3/31/2020	12						20.92			
3/31/2020	13						22.02			
3/31/2020	14						21.99			
3/31/2020	18						20.50			
4/8/2020	18						32.44			
4/8/2020	19						29.06			
4/8/2020	20						29.52			
4/8/2020	21						34.21			
4/8/2020	22						24.89			
4/9/2020	17						35.00			
4/15/2020	1						11.55			
4/15/2020	2						14.08			
4/15/2020	3						14.73			
4/15/2020	19						21.83			
4/17/2020	18						17.00			
4/17/2020	22						15.20			
4/17/2020	24						11.55			
4/18/2020	1						15.23			
4/18/2020	3						12.70			
4/18/2020	4						12.60			
4/18/2020	12						20.89			
4/18/2020	13						20.86			
4/18/2020	19						21.44			
4/18/2020	22						17.00			
4/18/2020	23						19.00			
4/18/2020	24						14.56			
4/19/2020	2						15.56			
4/19/2020	3						14.71			
4/19/2020	11						21.30			
4/19/2020	12						21.66			
4/19/2020	13						21.64			
4/19/2020	21						25.00			
4/19/2020	22						19.31			
4/19/2020	23						18.32			
4/19/2020	24						12.68			
4/20/2020	1						13.92			
4/20/2020	2						13.49			
4/20/2020	3						13.18			
4/20/2020	12						21.58			
4/20/2020	13						23.59			
4/20/2020	14						22.24			
4/20/2020	15						21.82			
4/20/2020	16						19.27			
4/20/2020	17						21.38			
4/20/2020	18						23.58			
4/20/2020	19						23.70			
4/20/2020	23						18.30			
4/21/2020	4						13.18			
4/21/2020	19						21.92			
4/21/2020	21						23.82			
4/21/2020	22						19.18			
Total/Average	—									

III. Energy Auction Offerors

Table 3 lists the 26 registered Auction Participants for the Energy Auction. In Year 11, no new Auction Participants were added, and none were removed.

Table 3
Registered Auction Participants during the Review Period

<i>Company Acronym</i>	<i>Company Name</i>
AEC	PowerSouth Energy Cooperative
AECI	Associated Electric Cooperative, Inc.
AEM	ArcLight Energy Marketing, LLC
BMLP	Brookfield Energy Marketing LP
CALPINE	Calpine Energy Services, LP
CARGILL	Cargill Power Markets, LLC
CONOCO	ConocoPhillips Company
CCG	Constellation Energy Commodities Group
COEI	Cooperative Energy, Inc.
CPLC	Progress Energy Carolinas, Inc.
DUK	Duke Energy Carolinas, LLC
EDF	EDF Trading North America, LLC
FEMT	BNP Paribas Energy Trading GP
FPC	Progress Energy Florida, Inc.
JPMVEC	JP Morgan Ventures Energy Corporation
MLCI	Merrill Lynch Commodities Inc.
OPC	Oglethorpe Power Corporation
PPLE	PPL EnergyPlus, LLC
REMC	Rainbow Energy Marketing Corporation
SCEG	South Carolina Electric & Gas Company
SOCO	Southern Company Services, Inc.
TEA	The Energy Authority
TNSK	Tenaska Power Services Co.
TVA	Tennessee Valley Authority
UPP	Union Power Partners, LP
WRGS	Westar Energy, Inc.

(SCS and) offered hour-ahead energy in the HAE auction . Third-party participants offered energy into a total of HAE auctions (of the 8,784 HAE auctions), auctions with third-party offers observed in Year 10.

including SCS, offered Firm-LD energy in at least one DAE auction, and offered Recallable energy in at least one DAE auction; in the DAE auction than in Year 10. Third-party participants submitted offers into a total of out of 256 Firm-LD DAE auctions ().

SCS offered energy into all of the HAE and DAE auctions, as it is required to do, with the following exceptions:

- 2 HAE auctions (0.02% of the 8,784 HAE auctions), and

- 2 Firm-LD DAE auctions (0.78% of the 256 DAE auctions).

These instances are explained by either (a) a lack of available capacity, in which case SCS was not required to offer energy into the auctions, or (b) technical issues that resulted in SCS’s failure to submit offer curves for certain auctions. The latter is discussed further in Section VI.A.

Table 4 shows the corresponding amounts of energy offered into the HAE and DAE auctions by each participant. Across all the auctions, 49.9 TWh of energy were offered, comparable to the 49.3 TWh of energy offered in Year 10.

SCS accounted for the vast majority of offered energy in each of the auctions—approximately 99.8%, across both the DAE and HAE auctions. There was ██████████ in the DAE auction and ██████████ the HAE auction. The average amount of energy offered into the DAE auctions was ██████████ of Firm-LD, and ██████████ of Recallable energy, similar to the Year 10 averages of ██████████ and ██████████, respectively. For the HAE auction, an average of ██████████ was offered, also similar to the Year 10 average (██████████).

Table 4
Quantity of Energy Offered in DAE and HAE Auctions, by Participant (MWh)

Participant	HAE	DAE	
		Firm LD	Recallable
SOCO	34,089,110 (99.9%)	10,412,800 (99.5%)	5,281,600 (100.0%)

* Figures in parentheses show percentage of total energy offered in each auction.

IV. Energy Auction Bidders

Table 5 shows the MWh quantities of energy bids by each participant in the HAE and DAE auctions. SCS and [REDACTED] bid into the HAE auction. Third-party participants bid into [REDACTED] HAE auctions; this is [REDACTED] of all HAE auctions and [REDACTED] the number of auctions with third-party bids in Year 10. Participation by SCS as a bidder was similar to Year 10 with SCS placing bids in [REDACTED] of HAE auctions, [REDACTED] in Year 10. In the DAE auctions, [REDACTED] (including SCS) bid into at least one Firm-LD auction. [REDACTED] bid for Recallable energy in the DAE auctions. The total number of DAE auctions with third-party bids was [REDACTED] in Year 11, [REDACTED] in Year 10.

Across all the auctions, approximately 1.9 TWh of energy bids were submitted, with [REDACTED] of this volume submitted through the HAE auctions. SCS accounted for [REDACTED] of the total bid volume in both the DAE and HAE auctions. For the HAE auction, the average amount of energy bid was [REDACTED] average in Year 10. The average amount of energy bid into the Firm-LD DAE auctions was [REDACTED] in Year 10.⁴

⁴ Averages reflect total bid quantities across all Firm-LD DAE and HAE auctions, though not all of these auctions had bids. The average total bid quantity in HAE auctions that had a bid was [REDACTED], and the average total bid quantity in DAE auctions that had a bid was [REDACTED].

Table 5
Quantity of Energy Bid in DAE and HAE Auctions, by Participant (MWh)

Participant	HAE	DAE	
		Firm LD	Recallable

* Figures in parentheses show percentage of total energy bid in each auction.

V. Changes in Auction and Auction Verification Protocols

A. GULF POWER SALE

As described in last year’s annual report, Southern Companies sold Gulf Power Company to NextEra Energy, effective January 1, 2019. Gulf Power continues to be a member of the Southern Pool for a transition period through approximately 2024. However, Gulf Power may elect to leave the Southern Pool prior to that date and has indicated through public information that it is now targeting the end of 2021 for departure. During the transition period, Southern Companies will continue to manage those Gulf Power assets that are part of the Southern Pool, and Gulf Power’s generation assets and load obligations will continue to be included in the determination of Southern Companies’ offers into the Auction.

B. CHANGES IN MONITORING PROTOCOLS

Our processes and accompanying automated “tools” that make the needed calculations to validate Available Capacity, Seller Offer Prices (“SOPs”), and the clearing price for each Auction are set forth in our protocols. These protocols were created and tested during the initialization phase of our monitoring assignment, prior to the start of the Auction, and have been updated as needed to

reflect new information, changes, and improvements. The current versions of our 10 protocols are shown in Appendix A. They include:

Protocol I—Monitoring of SCS’s daily load forecasts

Protocol II—Monitoring of SCS’s daily load forecast uncertainty (“LFU”) calculations

Protocol III—Monitoring SCS’s bilateral transactions into the Southern Balancing Authority Area during the Energy Auction bid periods

Protocol IV—Monitoring of SCS’s unit outage data

Protocol V—Verifying DAE Available Capacity calculations and the associated SOPs, as well as the final SOP curve submitted to OATI

Protocol VI—Verifying the HAE Residual Supply Curve (“RSC”) calculations and the associated SOPs, as well as verification of the final SOP curve submitted to OATI

Protocol VII—Verifying SCS’s compliance with the Tariff regarding the treatment of cleared Recallable energy, when applicable

Protocol VIII—Verifying Energy Auction clearing, when applicable

Protocol IX—Assessing availability of transmission services for energy sold through the Energy Auction

Protocol X—Monitoring of Third-Party Energy Auction Participants

Our protocols are living documents that are modified as needed. In Year 11, there was one change to our protocols, as summarized in Table 6. Only this single change to our protocols during the current review period is discussed here.

Table 6
Summary of Changes to IAM Protocols in Year 11

<i>Protocol</i>	<i>Changes in Year 11</i>
I. Load Forecasting	No changes
II. Load Forecasting Uncertainty	Updated LFU percentages
III. Purchases and Sales	No changes
IV. Outages	No changes
V. DAE Available Capacity and SOP Verification	No changes
VI. HAE Available Capacity and SOP Verification	No changes
VII. Recallable energy Verification	No changes
VIII. Auction Clearing Price Verification	No changes
IX. Assessment of Transmission Services for Energy Auction Purchases	No changes
X. Monitoring of Third Party Participants	No changes

Protocol II— Load Forecast Uncertainty Protocol

As in previous years, SCS performed an annual revision of LFU percentage values for use in the DAE auction, taking effect on 8/1/2019. We independently verified these values, which are summarized in Appendix C, and have incorporated them into our daily monitoring.

VI. Results of Monitoring

During the current review period, our daily and periodic monitoring activities revealed five instances of non-compliance. These are summarized in Table 7 below.

Table 7
Instances of Non-Compliance in Year 11

<i>Type of Event</i>	<i>Period Affected by Event</i>
I. Discrepancy in ██████████ unit heat rate coefficient in the HAE auction in May and June 2019	30 HAE auctions between 5/9/2019 HE13 and 6/18/2019 HE17
II. Failed offer curve submission in the HAE auction in October 2019	2 HAE auctions (10/28/2019 HE21–HE22)
III. Premature implementation of ██████████ in the HAE auction in December 2019	24 HAE auctions between 12/30/2019 HE3 and 12/31/2019 HE24
IV. Late posting of historical HAE auction clearing prices in April 2020	5 HAE auctions (4/8/2020 HE18–HE22)
V. Discrepancy in ██████████ in December 2019, January and April 2020	5 DAE auctions (12/10/2019 – 12/12/2019, 1/10/2020, 4/7/2020)

As described in section III, SCS offered energy into all of the HAE and DAE auctions, as it is required to do, with the following exceptions:

- 2 Firm-LD DAE auctions, and
- 2 HAE auctions.

Brattle was able to verify that no capacity was available for the 2 Firm-LD DAE auctions with no offer. As a result, SCS was not required to offer energy into those auctions, and these do not constitute instances of non-compliance. The lack of offers into the 2 HAE auctions on 10/28/2019 did constitute an instance of non-compliance. These incidents were caused by technical difficulties with the OATI Auction platform, as described in more detail in Section VI.A below.

In this review period, we observed a modest decrease in the overall number of non-compliant events relative to the ten instances of non-compliant events in Year 10. The overall frequency of instances of non-compliance continues to be low. In the next section we briefly describe each non-compliant event. For more detail on these issues, see the issue tracking forms included in Appendix B.

A. NON-COMPLIANT EVENTS

The first non-compliant event involved discrepancies in the heat rate coefficients used for a [REDACTED] unit. For 30 HAE auctions between 5/9/2019 HE13 and 6/18/2019 HE17, SCS applied a higher heat rate coefficient value [REDACTED] in the model used to determine offers into the auctions than the one used in their unit commitment model. SCS reports that the issue arose because it is currently maintaining heat rates in two different databases and had failed to update the value in both databases. Brattle computed that the SOP cap was exceeded by a maximum of 1.36% (for as many as 127 MW) for the affected auctions. This discrepancy did not affect Auction clearing. SCS has indicated that it is in the process of developing a new heat rate application that should prevent this issue from recurring in the future.

The second non-compliant event involved an instance in October 2019 when SCS's attempted offer curve submissions were not properly processed due to a technical issue. SCS attempted to submit offers for the HAE auctions on 10/28/2019 HE21 and HE22, but the offers were not accepted or processed by the Auction platform because OATI was experiencing a maintenance outage that prevented offer submission. Brattle determined that the auction outcome was not affected in either of the incidents.

The third non-compliant event involved the premature implementation of [REDACTED] in December 2019. For 6 units, [REDACTED] was implemented prematurely in 24 HAE auctions between 12/30/2019 HE3 and 12/31/2019 HE24, rather than on 1/1/2020 HE1. SCS explained that this was the result of a bug in the model used to determine offers into the auctions which resulted in the premature application of [REDACTED] that were to be implemented at the start of the new calendar year. Brattle recalculated the SOP cap and determined that the correct cap was exceeded by a maximum of 18.6%, but that the outcomes of the auctions were not affected. SCS is in the process of implementing a solution to prevent the issue from recurring in the future.

The fourth non-compliant event involved the late posting of the HAE auction clearing prices for the HAE auctions on 4/8/2020 HE18 to HE22. SCS is required to post this data within five minutes of the close of the HAE Bid Period. After being notified of this by Brattle, SCS reported that the delay was a result of an incomplete server setup after an upgrade to the server used in auction price postings. SCS posted the clearing prices for the affected auctions the following morning on 4/9/2020. Posting of historical clearing prices does not have a direct impact on Auction outcomes.

The final non-compliant event involved discrepancies in the [REDACTED]. For the DAE auctions on 12/10/2019 – 12/12/2019, 1/10/2020, and 4/7/2020, the capacity of a [REDACTED] in one database [REDACTED] in another, separate database. SCS explained that the [REDACTED] was double counted for the unit and mode in question. Brattle’s analysis revealed that this resulted in the exclusion of 75 MW of Available Capacity from each of the 5 affected DAE auctions. This discrepancy did not affect the outcome of the auctions.

B. ADDITIONAL EVENTS

We identified two additional events which, while not violations of the Tariff, are noted below for completeness. Both involve the monitoring of bilateral sales into the Southern Balancing Authority Area (“BAA”) that are conducted outside of the Energy Auction. The Tariff prohibits Southern from entering into bilateral transactions within the Bid Period (from 25 minutes before the hour until 10 minutes before the hour) for products that can be transacted within the Auction.

- We were unable to verify whether certain bilateral trades were compliant with the tariff due to missing documentation. On a quarterly basis, we perform a sampling of bilateral sales transaction records and request all trading records (*e.g.*, phone conversations, instant messages between traders, *etc.*) for each of the trades in the sample. We then independently review this documentation to determine whether each deal was compliant with the Tariff. For six out of 136 bilateral sales identified in the samples in Year 11, despite searching for the documentation and reaching out to counterparties, SCS was unable to locate and provide trading records for our review. SCS has indicated that its ability to locate supporting documentation in these instances may have been complicated by lingering compatibility issues with a new phone recording system implemented in late 2018.
- Two additional instances involved the negotiation of bilateral transactions during the Bid Period of an HAE auction. On [REDACTED], a Southern trader discussed pricing for a transaction just before the close of the Bid Period, though the deal was not finalized until after the Bid Period closed. On [REDACTED], a trader negotiated a deal during the Bid Period, though realized before finalizing the deal that the sale was prohibited and did not complete the transaction at that time; the deal was finalized later outside the Bid Period.

C. MONITORING OF AUCTION SPREAD POSTING

We have continued to monitor SCS’s voluntary bid-offer spread posting policy in Year 11. We can confirm that a bid-offer spread was posted for all auctions that had at least one bid and one offer (from different entities, which is the necessary condition for posting). When a bid-offer spread was reported, the reported spread was accurately computed.

VII. Legal Advisor’s Report on Compliance with Data Restrictions

The Auction Rules and Participation Rules in the Tariff contain restrictions concerning the treatment of confidential bid and offer information. The law firm of Van Ness Feldman, LLP reviewed Southern Companies’ compliance with the Tariff’s data restrictions related to confidential bid and offer information, and reports on its review in this Section.

A. TARIFF REQUIREMENTS ON HANDLING OF BID AND OFFER INFORMATION

The Tariff contains express requirements for the handling of third-party bid and offer information. Bid Information is defined as “[t]he prices, terms, and conditions under which a Bidder offers to purchase Energy through the DAE Auction or HAE Auction.”⁵ Offer Information is defined as “[t]he prices, terms, and conditions under which an Offeror offers to sell Energy through the DAE Auction or HAE Auction.”⁶

The Tariff provides that the Southern Auction Administrator may only access confidential third-party bid or offer information under prescribed circumstances. Further, only employees in one of the positions specified in the Tariff may serve as a Southern Auction Administrator.⁷

Under Section 2.1B(b) of the Participation Rules, the Southern Auction Administrator is only permitted to access confidential third-party bid or offer information as follows:

Southern Companies, through the Auction Administrator, shall access Bid Information, Offer Information, and other transaction-related information of Energy Auction participants other than Southern Companies only when directed by the Independent Auction Monitor; provided, Southern Companies may receive Bid Information and Offer Information from the Independent Auction Administrator for the sole purpose of complying with the posting requirements of Section 4.2.4 of the Auction Rules.

The Tariff further provides that the Auction Administrators may only use such information for auction administration or audit purposes.⁸

⁵ Auction Rules § 2.4.

⁶ *Id.* § 2.41.

⁷ Participation Rules § 2.1.

⁸ *Id.* § 3.5 (“All Bid Information and Offer Information submitted to the Auction Administrator shall be used by the Auction Administrator only for auction administration and audit purposes”).

Section 2.1B(d) of the Participation Rules also requires that:

Any information accessed by Southern Companies' Auction Administrator personnel pursuant to Section 2.1B(b) will be stored in a secure physical or electronic location. Southern Companies will report any such access: (a) to the Independent Auction Administrator promptly upon its occurrence and (b) to the Independent Auction Monitor within one (1) business day of its occurrence. The Independent Auction Administrator will document any such access and maintain related documentation.

The Participation Rules contain the following additional requirements with respect to access to confidential bid and offer information:

2.2 Those employees of Southern Companies directly engaged in wholesale electricity marketing and trading shall not have access to Bid Information or Offer Information for any purpose (except to the extent such information is made available pursuant to Auction Rules Section 4.2.4).

...

2.3 In order to ensure that Bid Information and Offer Information is maintained in a manner consistent with the foregoing paragraphs, Southern Companies shall impose internal data control restrictions consistent with those used for Standards of Conduct compliance.⁹

B. ELEVENTH ANNUAL REVIEW

Van Ness Feldman conducted its annual review for the eleventh review period in May and June of 2020. In conducting its review, Van Ness Feldman propounded written inquiries and requests for documents. In addition to reviewing documents and written responses to questions produced by SCS, Van Ness Feldman conducted telephone interviews with the two SCS employees who served in the role of Southern Auction Administrator during the review period. Van Ness Feldman also conducted a phone interview with three representatives of TransServ International, Inc. ("TransServ"), the Independent Auction Administrator, who are responsible for the Independent Auction Administrator functions.

SCS has been fully cooperative during this annual review. It has answered all questions, provided the requested documents, and made its employees available for interviews. TransServ has also been cooperative in making representatives available for interview.

C. FINDINGS

The review conducted by Van Ness Feldman found that SCS has been diligent in its efforts to comply with the Tariff's requirements related to confidential bid and offer information. Findings on specific Tariff requirements are detailed below.

⁹ Participation Rules §§ 2.2-2.3.

1. Position of the Auction Administrator

The Tariff provides that only employees holding specific positions listed in Section 2.1 of the Participation Rules may serve as Southern Auction Administrators. During the review period, two SCS employees were designated as Southern Auction Administrators. Specifically, one SCS employee served as the primary Southern Auction Administrator and the second served as the back-up Southern Auction Administrator. Each of the Southern Auction Administrators holds a position listed in Section 2.1: one is a Senior Contract Analyst, and the other is a Pool Bill Operations Supervisor.

2. Access to Confidential Bid and Offer Information

The Participation Rules require that a Southern Auction Administrator may only access confidential third-party bid or offer information if directed to do so by the IAM, or for the purpose of complying with posting requirements.¹⁰ The Tariff further provides that “[a]ll Bid Information and Offer Information submitted to the Auction Administrator shall be used by the Auction Administrator only for auction administration and audit purposes.”¹¹

SCS reported that the only handling of confidential third-party bid or offer information by a Southern Auction Administrator during the review period was in connection with the monthly receipt and posting of certain bid and offer information from four months prior.

During the review period, the primary Southern Auction Administrator periodically accessed webMarket for different reasons, such as to reset passwords or to see the parameters of a transaction for a report, and did not use webMarket in ways that would give her access to confidential bid or offer information.¹² The back-up Southern Auction Administrator did not access webMarket during the review period.

Consistent with the revised Procedures for Southern Company Energy Auction Administration, dated July 18, 2014, neither of the Southern Auction Administrators had an Auction Administrator user ID for webMarket during the review period. Instead, under those procedures, in the event the Southern Auction Administrator needed to access third-party confidential bid and offer information, the Southern Auction Administrator would have to request a temporary Auction Administrator user ID from the Independent Auction Administrator. The Southern Auction Administrators reported that they did not access any third-party confidential bid or offer information through webMarket, and TranServ confirmed that it had not issued a temporary Auction Administrator user ID to either of the Southern Auction Administrators, during the review period. The primary Southern Auction Administrator has webMarket user status as Buyer

¹⁰ Participation Rules § 2.1B(b).

¹¹ Auction Rules § 3.5.

¹² “webMarket” is the software program through which the Auction is administered. Numerous SCS marketing and trading employees use webMarket in connection with Southern Companies’ participation in the Auction. An SCS user of webMarket would be able to access confidential bid and offer information of a third party only if the user had “Auction Administrator” rights.

Company Administrator/Buyer Security Administrator/Seller Company Administrator/Seller Security Administrator, which permits access to Southern Companies' confidential bid and offer data, but not the bid and offer data of third parties.

Section 2.1B(d) of the Participation Rules provides that instances in which a Southern Auction Administrator has accessed confidential bid or offer information must be reported “(a) to the Independent Auction Administrator promptly upon its occurrence and (b) to the Independent Auction Monitor within one (1) business day of its occurrence.”¹³ There were no such reports made under Section 2.1B(d) during the review period.

In the course of finalizing the confidential version of the annual report submitted to the FERC by the IAM in June 2019, the IAM requested review of the draft report for accuracy and completeness. The primary Southern Auction Administrator reviewed only Appendix B of the draft report, related to auction procedure violations, which did not include confidential third-party bid or offer information. No SCS employee reviewed any other portion of the draft report. SCS's outside counsel reviewed the entire draft of the confidential version of the report.

The Auction Rules require that SCS post, by the end of each month, bid and offer data (without identification of the bidder or offeror) for the fourth month prior.¹⁴ The Independent Auction Administrator assembles this data, and conveys it to the Southern Auction Administrator on or about the 23rd of each month. The information provided is promptly conveyed by the Southern Auction Administrator to the SCS employee who posts the data on the Southern Company website. This data is typically posted on the same day it is received by the Southern Auction Administrator.¹⁵ The Southern Auction Administrator does not do a substantive review of the information prior to conveying it to the appropriate SCS employee for posting. The Southern Auction Administrators' access to the data for this purpose is expressly allowed under the Tariff.¹⁶

3. Secure Storage of Confidential Bid and Offer Information

Confidential bid and offer information accessed by the Southern Auction Administrator must be “stored in a secure physical or electronic location.”¹⁷ SCS reports that it does not possess any physical records of confidential third-party bid or offer information. SCS further reports that it has no electronic records of confidential third-party bid or offer data.

The Southern Auction Administrators' office spaces are located in a badge-access restricted space to which marketing function personnel do not have access. As of March 16, 2020, both Southern Auction Administrators transitioned to working from their respective homes because of the

¹³ Participation Rules § 2.1B(b).

¹⁴ Auction Rules § 4.2.4.

¹⁵ Historical bid and offer information is posted on the Southern Company website. Southern Company, Historical Bids and Offers, <https://www.southerncompany.com/about-us/energy-auction/historical-bids-and-offers.html> (last visited June 12, 2020).

¹⁶ Participation Rules § 2.1B(b).

¹⁷ *Id.* § 2.1B(d).

COVID-19 pandemic. Both Southern Auction Administrators confirmed that they do not possess any physical records of confidential third-party bid or offer information at their homes, and there are no electronic records of confidential third-party bid or offer data at their homes.

4. Prohibition on Marketing and Trading Employee Access to Confidential Bid and Offer Information

The Tariff provides that “[t]hose employees of Southern Companies directly engaged in wholesale electricity marketing and trading shall not have access to Bid Information or Offer Information for any purpose (except to the extent such information is made available to Auction Participants pursuant to Section 4.2.4).”¹⁸ Van Ness Feldman interviewed the two Southern Auction Administrators, reviewed emails from the Southern Auction Administrators to SCS marketing employees during two one-month sample periods, and reviewed a listing of the webMarket access rights available to all Southern Companies employees. Van Ness Feldman found no evidence that SCS marketing or trading employees received third-party bid or offer information in violation of the Tariff, or that they had improper access to such information during the review period.

5. Other Internal Data Control Restrictions Consistent with Standards of Conduct

The Tariff provides that “[i]n order to ensure that Bid Information and Offer Information is maintained in a manner consistent with the [Tariff], Southern Companies shall impose internal data control restrictions consistent with those used for Standards of Conduct compliance.”¹⁹

Access to third-party bid and offer data on the webMarket system is available only to those individuals who are designated on webMarket as Auction Administrators (or IAMs). Neither of the Southern Auction Administrators was designated as an Auction Administrator on the webMarket system during the review period.

As described above, SCS has retained no third-party bid and offer information in physical or electronic form.

The assignment of many auction administration functions to an Independent Auction Administrator operating from access-restricted offices in Minneapolis, Minnesota, has substantially reduced any risk of inadvertent disclosure to SCS marketing or trading employees. The only handling of confidential third-party bid and offer information by the Southern Auction Administrators during the review period was related to the receipt of historical bid and offer information from the Independent Auction Administrator and forwarding of that information for posting. As of March 2020, the Independent Auction Administrators transitioned to working from their respective homes because of the COVID-19 pandemic. The Independent Auction Administrator provided assurances that confidentiality of bid and offer information has been maintained during this work-from-home period.

¹⁸ *Id.*, § 2.2.

¹⁹ *Id.* § 2.3.

The Southern Auction Administrators' work spaces are located in a badge-access restricted space to which marketing function personnel do not have access. Southern Auction Administrators have not accessed confidential bid and offer information (except for the historical information provided by TranServ to be posted on the Southern Company website) while working from home since mid-March 2020.

The Southern Company Auction Administrator Protocol provides that “[t]he Auction Administrator and all personnel undertaking wholesale electricity marketing and trading activities for Southern Companies shall be familiar with this Auction Administrator Protocol and the data control restrictions set forth in this section.”²⁰ Our interviews with the Southern Auction Administrators indicated that they are well versed in the data control restrictions.

Van Ness Feldman found that the actions outlined above are reasonable steps to ensure that marketing function employees do not have access to third-party bid and offer information, consistent with the internal data control restrictions required by Section 2.3 of the Participation Rules.

6. Summary of Findings

Based on its review, Van Ness Feldman found that SCS has been diligent in its efforts to comply with the applicable Tariff requirements related to safeguarding confidential bid and offer information. Of note, as a consequence of amendments to the Tariff that narrowed the role of the Southern Auction Administrators, the Southern Auction Administrators have very limited access to confidential third-party bid and offer information. Van Ness Feldman further found no evidence that SCS marketing function employees had any improper access to confidential bid or offer information during the review period.

VIII. Conclusion

We have monitored SCS's participation in the Energy Auction and its compliance with the Tariff during the eleventh annual review period, April 24, 2019 through April 23, 2020. This report documents each instance during the review period where we have found that SCS's administration of the Energy Auction and its offers into the Energy Auction did not occur in full compliance with the Tariff. To the best of our ability to ascertain, and with the specific exceptions identified in this report, we have found that SCS has complied with the requirements of the Tariff throughout the review period.

The overall frequency of non-compliant events in Year 11 decreased relative to the prior review period, and continues to be low in absolute terms. We note that there was one instance of failed offer curve submissions caused by issues with the OATI platform (within the total of five non-compliant events in Year 11). We found no evidence of attempts to manipulate the Auction or other questionable behavior by any Auction Participant, nor did we receive any complaints

²⁰ Southern Company, Energy Auction: Auction Administrator Protocol § 1.3 (undated).

regarding the availability or the terms of transmission service needed to accommodate an Energy Auction purchase. Van Ness Feldman’s review of compliance with the Tariff’s data restrictions found that SCS has been diligent in its efforts to comply with the applicable Tariff requirements related to safeguarding confidential bid and offer information, and further found no evidence that SCS marketing function employees had any improper access to confidential bid or offer information during the review period. Lastly, we did not receive any complaints relating to the Energy Auction or discover other serious matters that would have prompted an interim report to the Commission.

SCS has provided the data and information necessary for us to adequately monitor its participation in the Energy Auction, and has given us access to its personnel as we have requested. The instances identified in this report where SCS did fail to comply fully with specific Tariff provisions appear to be the result of unintentional technical and administrative errors or system failures. It is probably unrealistic to expect that a complex administrative process such as the Energy Auction, which is overlaid on the even more complex process of managing SCS’s power system, could be implemented perfectly, without any errors.

We have continued to monitor Southern Companies’ posting of the bid-offer spread, and confirm that the bid-offer spread has been posted when the necessary conditions were met, and that it was accurately computed.

Regarding Auction participation by third parties, the Year 11 HAE auctions had [REDACTED] The number of HAE auctions offered into by third parties [REDACTED] and the number of HAE auctions with third party bidders [REDACTED]. The DAE auctions saw [REDACTED]. Third parties offered into [REDACTED] Firm-LD [REDACTED] Recallable energy [REDACTED] Firm-LD [REDACTED] Recallable DAE auctions [REDACTED].

The number of auction clearings and the amount of energy cleared has increased in the HAE auctions and decreased in the DAE auctions since the previous year. Overall, 17,595 MWh cleared through the HAE auction, considerably more than the 9,508 MWh of Year 10. The number of cleared HAE auctions increased similarly; a total of 219 in Year 11 (about 2.5% of all HAE auctions), up from 123 in Year 10. No DAE auctions cleared in Year 11, compared to two in Year 10. This is the highest annual number and MWh of HAE auction clearings seen in the Auction to date.

Since the tenth annual report, our basic monitoring philosophy and practices have not changed, though we continue to update our monitoring process to improve the quality of monitoring and streamline the workflow, and to accommodate any changes in the Tariff, SCS’s processes, and the Commission’s guidance. We appreciate the Commission’s continued confidence in our role as the IAM, and we look forward to receiving the Commission’s feedback and guidance in the coming year.

APPENDIX A

IAM PROTOCOLS

This appendix contains our complete set of protocols. IAM protocols are living documents that are updated periodically as we gain experience in our monitoring role. This appendix includes the current version of each protocol, but we keep older versions on file, and will be able to provide them to the Commission, if requested.

Protocol I – Load Forecasting.....A-1

Protocol II – Load Forecast UncertaintyA-8

Protocol III – Purchases and SalesA-14

Protocol IV – Outages.....A-23

Protocol V – Day-Ahead Available Capacity and Seller Offer Prices Verification.....A-27

Protocol VI – Hour-Ahead Available Capacity and Seller Offer Prices VerificationA-37

Protocol VII – Recallable Energy Verification.....A-43

Protocol VIII – Auction Clearing Price Verification.....A-50

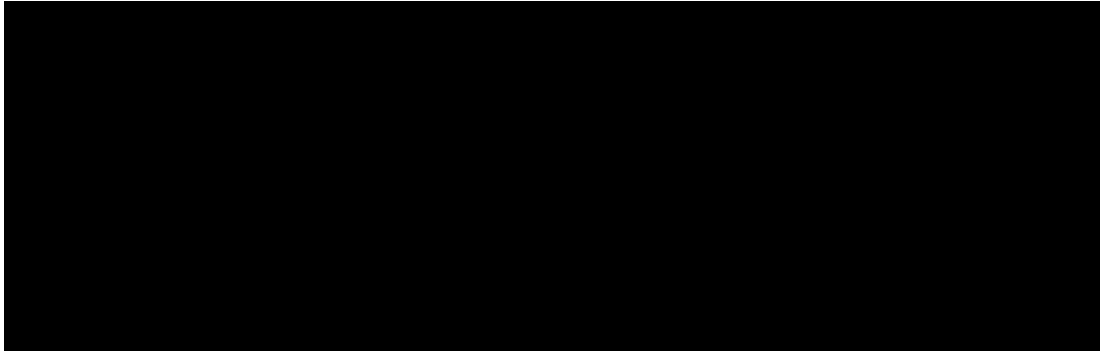
Protocol IX – Assessment of Transmission Services for Energy Auction Purchases.....A-58

Protocol X – Monitoring of Third Party Participation in the Southern Company Energy Auction.....A-59

THE REMAINDER OF THIS APPENDIX IS REDACTED

APPENDIX B
IAM ISSUE TRACKING FORMS

I. NON-COMPLIANT EVENTS



... B-1

... B-3

... B-5

... B-7

... B-9

THE REMAINDER OF THIS APPENDIX IS REDACTED

APPENDIX C

LOAD FORECASTING UNCERTAINTY PERCENTAGES

This appendix contains the load forecast uncertainty average and maximum percentages calculated by SCS. These numbers were updated and the new load forecast uncertainty (“LFU”) numbers were implemented in [REDACTED] for flow date [REDACTED] onwards.

Prior Average LFU Percentages
(Used through DAE delivery day [REDACTED])

	DA0	DA1	DA2	DA3	DA4	DA5	DA6	DA7
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								

Updated Average LFU Percentages
(Used from DAE delivery day [REDACTED])

	DA0	DA1	DA2	DA3	DA4	DA5	DA6	DA7
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								

Prior Maximum LFU Percentages
(Used through DAE delivery day [REDACTED])

	DA0	DA1	DA2	DA3	DA4	DA5	DA6	DA7
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								

Updated Maximum LFU Percentages
(Used from DAE delivery day [REDACTED])

	DA0	DA1	DA2	DA3	DA4	DA5	DA6	DA7
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								

PUBLIC VERSION—REDACTED

Exhibit B

Explanation for Redactions in Public Version of the Independent Auction Monitor's Annual Informational Report

Exhibit B

EXPLANATION FOR REDACTIONS IN PUBLIC VERSION OF THE INDEPENDENT AUCTION MONITOR'S ANNUAL INFORMATIONAL REPORT

The table below provides justifications for the redactions of confidential and privileged information that have been made to the public version of the Report. In the first column of the table, Southern Companies have grouped the justifications for confidential and privileged treatment into five categories. In the second column, Southern Companies have listed the Report page numbers that contain such information. Because confidential and privileged information permeates virtually all aspects of the Appendices, Brattle and Southern Companies agreed that those portions of the Report should be redacted in their entirety.

In developing this table, Southern Companies have endeavored to provide the requisite specificity expected by the Commission for assertions of privileged and confidential treatment. Should the Commission have any question regarding the information contained in this table or its application to the public version of the Report, or if the Commission desires further clarification or elaboration as to any of the justifications described, Southern Companies welcome the opportunity to assist.

Justification for privileged treatment under 18 C.F.R. §§ 388.107 and 388.112	Page of Report
Release of data/information could constitute a violation of the Commission's market-based rate affiliate restrictions and the Separation of Functions and Communications Protocol applicable to Southern Power Company and its subsidiaries, as set forth in Southern Companies' market-based rate tariff.	12, 14
Data reflects system forecast, planning, generator or other equipment-specific information, which are commercially valuable, necessary to Southern Companies' participation in the marketplace, not yet public, and the release of which could give others in the marketplace a competitive advantage against Southern Companies, to the detriment and harm of their retail customers.	12, 13, 14, Appendix A, Appendix B, Appendix C
Data reflects Energy Auction bid and/or offer information and related non-public Energy Auction information related to one or more Energy Auction participants (including Southern Companies), which are commercially valuable and not yet public, which could be used to the competitive disadvantage of Energy Auction participants, and which Southern Companies are obligated to keep confidential in accordance with their market-based rate tariff and applicable orders of the Commission regarding the Energy Auction.	2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 21

<p align="center">Justification for privileged treatment under 18 C.F.R. §§ 388.107 and 388.112</p>	<p align="center">Page of Report</p>
<p>Data/information reflects generator reference prices and generator-specific cost and/or cost inputs, which are commercially valuable, necessary to Southern Companies' participation in the marketplace, not yet public, and the release of which could give others in the marketplace a competitive advantage against Southern Companies, to the detriment and harm of their retail customers.</p>	<p>12, 13, 14, Appendix B</p>
<p>Data/information reflects Southern Companies' internal, trade secret and proprietary systems and processes and other intellectual property, which are commercially valuable, necessary to Southern Companies' participation in the marketplace, not yet public, and the release of which could give others in the marketplace a competitive advantage against Southern Companies, to the detriment and harm of their retail customers.</p>	<p>Appendix A, Appendix C</p>