

June 29, 2018

*Via Electronic Filing*

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

RE: *Ninth 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 ninth 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.<sup>1</sup>

*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

---

<sup>1</sup> *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:

Dean M. Murphy  
*The Brattle Group*  
One Beacon Street  
Suite 2600  
Boston, MA 02108  
617.864.7900  
[dean.murphy@brattle.com](mailto:dean.murphy@brattle.com)

D. Wayne Moore  
Southern Company Services, Inc.  
Bin S-420 EC  
3535 Colonnade Parkway  
Birmingham, AL 35243  
205.992.0368  
[dwmoores@southernco.com](mailto:dwmoores@southernco.com)

Barbara Levine, Esq.  
*The Brattle Group*  
One Beacon Street  
Suite 2600  
Boston, MA 02108  
617.864.7900  
[barbara.levine@brattle.com](mailto:barbara.levine@brattle.com)

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, 2017 to April 23, 2018

---

PREPARED FOR



THE FEDERAL ENERGY  
REGULATORY COMMISSION

SUBMITTED BY

The Brattle Group  
Independent Auction Monitor

JUNE 29, 2018

THE **Brattle** GROUP

**Informational Report**  
**for**  
**The Southern Companies' Energy Auction**  
**April 24, 2017 to April 23, 2018**

Docket Nos. ER09-88, ER17-514

June 29, 2018

**Prepared By:**

The Brattle Group, Inc.  
1800 M Street NW, Suite 700 North  
Washington, DC 20036

Van Ness Feldman, LLP  
1050 Thomas Jefferson Street, NW  
Washington, DC 20007

The Brattle Group, Inc.

**Principal Monitors:**

Dean M. Murphy  
Lucas Bressan

**Assisted By:**

Perry Fitz  
Will Gorman  
Andrew O'Brien  
Nathan Plein  
Emily Shorin

Van Ness Feldman, LLP

Douglas Smith  
Kelsey Bagot

**Prepared For:**

**The Federal Energy Regulatory Commission**

888 First Street NE  
Washington, DC 20426

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.

## Table of Contents

I.	Introduction and Overview .....	1
II.	Clearing Price for Each Energy Auction.....	2
III.	Energy Auction Offerors.....	6
IV.	Energy Auction Bidders .....	8
V.	Changes in Auction Verification Processes and Protocols.....	9
VI.	Results of Monitoring.....	10
VII.	Legal Advisor’s Report on Compliance with Data Restrictions.....	14
VIII.	Conclusion .....	19

## Appendices

Appendix A: IAM Protocols

Appendix B: IAM Issue Tracking Forms

Appendix C: Load Forecasting Uncertainty Percentages

## I. Introduction and Overview

This is the ninth annual report reviewing the Southern Companies<sup>1</sup> Day-Ahead Energy (“DAE”) and Hour-Ahead Energy (“HAE”) auctions (collectively the “Energy Auctions” or “Auctions”), as administered by their agent Southern Company Services Inc. (“SCS”). It 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 Auctions or other serious matters to FERC;
- h. any instances of suspected Energy Auction manipulation or other questionable behavior related to the Energy Auctions by any Auction Participant;
- i. confirmation as to whether SCS complied with the Energy Auction Tariff<sup>2</sup> as relating to the handling of Auction Participant confidential information; and
- j. confirmation as to whether, in the judgment of the IAM, the Energy Auctions are being properly administered in accordance with the Energy Auction Tariff, with due regard for its nature and complexity.

---

<sup>1</sup> Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Southern Power Company are referred to collectively as “Southern Companies.”

<sup>2</sup> 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, 2017 through April 23, 2018.<sup>3</sup> The rest of the report consists of Sections II through VIII, 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 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”), who 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 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 Auctions 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, one DAE auction cleared for Firm-LD energy (*i.e.*, one auction matched a buyer’s bid with a seller’s offer) and no DAE auctions cleared for Recallable energy (*i.e.*, none matched a buyer’s bid with a seller’s offer), as shown in Table 1. A total of [REDACTED] cleared through the DAE auction at a clearing price of \$65.00/MWh. There was one matched bid and offer in the cleared DAE auction, though this auction had additional bids for which there was no match. This was the first DAE auction clearing since Year 5.

**Table 1**  
**DAE Cleared Auctions: Clearing Price and Quantity**

Delivery Date	Product	Offer MW	Bid MW	Lowest Offer (\$/MWh)	Highest Bid (\$/MWh)	Cleared MW	Clearing Price (\$/MWh)	Winning Bidders	Total Number of Bidders	Winning Offerors
1/15/2018	Firm-LD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	65.00	[REDACTED]	[REDACTED]	[REDACTED]

<sup>3</sup> Throughout this report, we may refer to the current review period as “Year 9,” and to the previous review period, covering April 24, 2016 through April 23, 2017, as “Year 8.”

Table 2 shows that 90 HAE auctions cleared during the current review period (compared with 97 in Year 8); [REDACTED] was the seller and [REDACTED]. A total of 9.0 GWh cleared through the HAE auction, which is slightly higher than the amount of energy (8.6 GWh) cleared in Year 8. The transaction size ranged from [REDACTED] and the weighted-average clearing price was [REDACTED]. There was only one matched bid and offer in each of these cleared HAE auctions.

**Table 2**  
**HAE Cleared Auctions: Clearing Price and Quantity**

<i>Delivery Date</i>	<i>Hour Ending (CPT)</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>
5/19/2017	16						49.20			
5/19/2017	17						50.37			
10/10/2017	16						58.01			
10/10/2017	17						57.58			
10/11/2017	17						41.50			
10/11/2017	18						40.62			
10/15/2017	23						22.78			
10/16/2017	2						27.00			
10/16/2017	3						22.80			
12/8/2017	18						60.00			
12/14/2017	7						60.00			
12/25/2017	23						25.99			
12/27/2017	7						26.38			
1/1/2018	9						43.06			
1/1/2018	11						47.01			
1/1/2018	12						42.82			
1/1/2018	13						40.87			
1/1/2018	14						42.65			
1/13/2018	10						37.72			
1/13/2018	11						41.03			
1/13/2018	12						40.39			
1/13/2018	13						43.14			
1/13/2018	14						40.24			
1/14/2018	8						125.00			
1/14/2018	9						250.00			
1/14/2018	10						34.62			
1/18/2018	21						55.53			
1/18/2018	22						54.61			
1/18/2018	24						53.61			
1/29/2018	24						25.84			
1/30/2018	22						41.53			
1/30/2018	24						37.16			
1/31/2018	1						40.00			
1/31/2018	2						40.00			
1/31/2018	3						37.24			
1/31/2018	4						37.12			
1/31/2018	6						175.00			
1/31/2018	7						98.87			
1/31/2018	22						35.00			
1/31/2018	24						33.56			
2/1/2018	5						35.00			
2/1/2018	6						43.15			
2/1/2018	19						30.22			
2/5/2018	8						40.67			
2/5/2018	9						40.95			
2/5/2018	11						32.08			
2/5/2018	12						30.36			
2/5/2018	13						25.56			
2/5/2018	14						23.11			
2/5/2018	15						22.33			
2/5/2018	17						25.97			
2/5/2018	22						34.00			
2/5/2018	24						29.36			

**Table 2 (Cont.)**  
**HAE Cleared Auctions: Clearing Price and Quantity**

<i>Delivery Date</i>	<i>Hour Ending (CPT)</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>
3/8/2018	21						29.30			
3/8/2018	22						28.92			
3/8/2018	23						28.24			
3/8/2018	24						27.39			
3/9/2018	3						33.84			
3/9/2018	8						40.36			
3/12/2018	14						27.07			
3/12/2018	15						27.83			
3/12/2018	16						30.76			
3/12/2018	17						30.89			
3/17/2018	2						23.00			
3/17/2018	3						21.54			
3/17/2018	20						33.98			
4/10/2018	23						29.53			
4/10/2018	24						28.21			
4/11/2018	1						19.97			
4/11/2018	2						30.63			
4/11/2018	3						30.22			
4/11/2018	4						31.41			
4/11/2018	23						27.62			
4/11/2018	24						29.85			
4/12/2018	1						21.26			
4/12/2018	2						20.74			
4/12/2018	3						20.78			
4/12/2018	4						21.33			
4/13/2018	1						29.01			
4/14/2018	17						36.00			
4/16/2018	8						32.16			
4/16/2018	9						29.75			
4/16/2018	10						29.99			
4/16/2018	11						34.07			
4/16/2018	12						36.07			
4/16/2018	13						35.94			
4/16/2018	14						28.61			
4/16/2018	15						28.36			
4/16/2018	16						30.54			
4/23/2018	7						31.79			

### III. Energy Auction Offerors

Table 3 lists the 26 registered Auction Participants for both the HAE and the DAE auctions. In Year 9, no new Auction Participants were added.

**Table 3**  
**Registered Auction Participants during the Review Period**

<i>Company Acronym</i>	<i>Company Name</i>
SOCO	Southern Company Services, Inc.
AEC	PowerSouth Energy Cooperative
AECI	Associated Electric Cooperative, Inc.
AEM	ArLight 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
TEA	The Energy Authority
TNSK	Tenaska Power Services Co.
TVA	Tennessee Valley Authority
UPP	Union Power Partners, LP
WRGS	Westar Energy, Inc.

Three participants (SCS, [REDACTED], [REDACTED]) offered hour-ahead energy in the HAE auction. This is one fewer participant than in Year 8. Third-party participants offered energy into a total of [REDACTED] HAE auctions ([REDACTED] of the 8,760 HAE auctions), [REDACTED] auctions with third-party offers observed in Year 8. Two participants, including SCS, offered Firm-LD Energy in at least one DAE auction, and only SCS offered Recallable Energy; one less participant offered Firm-LD Energy and Recallable Energy in the DAE auction in Year 9 than in Year 8. Third-party participants submitted offers into a total of [REDACTED] out of 255 Firm-LD DAE auctions ([REDACTED]).

SCS offered energy into all of the HAE and DAE auctions, as it is required to do, with the following exceptions: 21 HAE auctions (0.2% of the 8,760 HAE auctions), 7 Firm-LD DAE auctions (2.7% of the 255 DAE auctions), and 3 Recallable DAE auctions (1.2% of the 255 DAE auctions). These instances are explained by either (a) the lack of available capacity, in which case

SCS was not required to offer energy into the relevant auctions, or (b) SCS’s decision to not offer capacity into the auction, in connection with extreme weather conditions that led SCS to expect there would be no capacity available. This 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, similar to the 49.6 TWh of energy offered in Year 8.

SCS accounted for the vast majority of offered energy in each of the auctions—over 99.9%, across both the DAE and HAE auctions. There was one third-party offeror in the DAE auction and two in the HAE auction. The average amount of energy offered into the DAE auctions was [REDACTED] of Firm-LD, and [REDACTED] of Recallable Energy; in Year 8, the averages were similar at [REDACTED] and [REDACTED], respectively. For the HAE auction, an average of [REDACTED] was offered, similar to the Year 8 average ([REDACTED]).

**Table 4**  
**Cumulative Quantity of Energy Offered in DAE and HAE Auctions (MWh)**

Participant	HAE		DAE	
			Firm LD	Recallable
SOCO	34,004,333	(100.0%)	10,665,600 (99.9%)	5,233,600 (100.0%)
[REDACTED]				

\* Figures in parentheses show percent of total energy offered, rounded to the nearest tenth of a percent.

## IV. Energy Auction Bidders

Table 5 shows the MWh quantities of energy bids by each participant in the HAE and DAE auctions. SCS and two others bid into the HAE auction. Third-party participants bid into [REDACTED] HAE auctions; this is [REDACTED] of all HAE auctions and less than a quarter of the number of auctions with third-party bids in Year 8. Participation by SCS as a bidder decreased modestly with SCS placing bids in [REDACTED] of HAE auctions, down from [REDACTED] in Year 8. In the DAE auctions, two participants (including SCS) bid into at least one Firm-LD auction, and no participants placed a bid for Recallable Energy. The total number of DAE auctions with third-party bids decreased to [REDACTED] in Year 9, from [REDACTED] in the previous year.

Across all the auctions, approximately 3.6 TWh of energy bids were submitted, with [REDACTED] of this volume submitted through the HAE auctions. SCS accounted for almost [REDACTED] of the total bid volume in both the DAE and HAE auctions. The average amount of energy bid into the Firm-LD DAE auctions was [REDACTED], slightly higher than the [REDACTED] in Year 8. For the HAE auction, the average amount of energy bid was [REDACTED], slightly lower than the [REDACTED] in Year 8.

**Table 5**  
**Cumulative Quantity of Energy Bids in DAE and HAE Auctions (MWh)**

Participant	HAE	DAE	
		Firm LD	Recallable
[REDACTED]			

\* Figures in parentheses show percent of total energy bid, rounded to the nearest tenth of a percent.

## V. Changes in Auction Verification Processes and 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 Southern 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 9, 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 9**

<i>Protocol</i>	<i>Changes in Year 9</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 July 31, 2017. 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 seven instances of non-compliance. These are summarized in Table 7 below, grouped into six types: two discrepancies in unit cost calculations in the HAE auction, one discrepancy in unit cost calculation in the DAE auction, one discrepancy in a combined cycle unit outage in the DAE auction, one submission of the incorrect offer curve into the DAE auction, failures to submit offer curves for the DAE and HAE auctions, and one instance of inclusion of a demand charge adder in offers into HAE auctions.

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: 7 Firm-LD DAE auctions, 3 Recallable DAE auctions, and 21 HAE auctions. Brattle was able to verify that no capacity was available for 6 of the Firm-LD DAE auctions and 2 of the Recallable DAE auctions. As a result, SCS was not required to offer energy into these auctions, and these do not constitute instances of non-compliance. The lack of offers into the Firm-LD and Recallable DAE auctions on 1/3/2018 and into the 21 HAE auctions between 1/1/2018 HE15 and 1/2/2018 HE11 did constitute instances of non-compliance. These are described in more detail in Section VI.A below.

In addition to the non-compliant events described below, there was one auction clearing for the HAE auction on 1/1/2018 HE14 auction that was later curtailed as a result of high system

demand resulting from extreme weather conditions, potentially affecting system reliability. This does not constitute a non-compliant event given that the Tariff provides for the ability of Southern Company to curtail HAE auction sales.<sup>4</sup>

In this review period, we observed a slight decrease in the overall number of non-compliant events relative to the eight non-compliant events in Year 8. The frequency of instances of non-compliance continues to be low.

**Table 7**  
**Instances of Non-Compliance in Year 9**

<i>Type of Issue</i>	<i>Period Affected</i>
Discrepancy in unit cost calculations in HAE auctions in April and October 2017	30 HAE auctions for 4/25/2017 HE18 through 4/28/2017 HE19 HAE auctions 10/10/2017 HE13 through HE19
Discrepancy in unit cost calculations in DAE auctions in June and July 2017	DAE auctions for 6/5/2017 through 7/18/2017
██████████ unit outage discrepancy in ██████████	DAE auction for ██████████
Submission of incorrect offer curve for the DAE auction in December 2017	DAE auction for 12/29/2017
Failure to submit offer curves for the DAE and HAE auctions in January 2018	DAE auctions for 1/3/2018 HAE auctions between 1/1/2018 HE15 and 1/2/2018 HE11
Inclusion of demand charge in offers into the HAE auction in January 2018 affecting the outcome of five auctions	HAE auctions between 1/17/2018 HE22 and 1/23/2018 HE14

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 type of non-compliant event involved two instances with discrepancies in the cost calculations of units in the HAE auction. The first instance affected 30 HAE auctions between 4/25/2017 HE18 and 4/28/2017 HE19, in which Brattle identified that two ██████████ units were offered at a price higher than the SOP cap allowed by the Tariff. In the 30 hours impacted by the discrepancy, an average of ██████████ were offered at prices that exceeded the SOP cap by as much as 5%. This discrepancy resulted from an incorrect calculation of ██████████. The second instance consisted of a discrepancy in unit cost calculations affecting 4 HAE auctions (HE13, HE17, HE18, and HE19) on 10/10/2017. Brattle discovered that two units were offered into the HAE auction at a price higher than the SOP cap allowed by the Tariff, as a result of using incorrect ██████████ in the calculation of the

<sup>4</sup> Participation Rules, § 5.2.2.

units' costs. The discrepancies in the computation of costs in the HAE auctions discussed above did not affect the outcome of the auctions in question.

The second type of non-compliant event involved a discrepancy in the cost calculations of units in the DAE auction. Brattle identified an increase in start-up costs for two [REDACTED] units offered in the DAE auction in June and July 2017. These units were offered into the DAE auction at prices in excess of those allowed by the Tariff for 30 DAE delivery days between 6/5/2017 and 7/18/2017. SCS informed Brattle that there was an issue with a data pull used to model start-up costs for the units, which resulted in incorrect modeling of the units. The outcome of these DAE auctions was unaffected due to the absence of third-party buy bids.

The next type of non-compliant event involved a discrepancy in the outage information of a [REDACTED] unit. For the DAE auction for [REDACTED], Brattle identified that a [REDACTED] unit was incorrectly listed as on outage. A portion of the unit in question was committed for the relevant delivery period and thus correctly excluded from the DAE Auction for [REDACTED]. However, the remaining [REDACTED] of this unit were not committed or otherwise constrained, and thus should not have been excluded from the DAE Auction. SCS explained that this discrepancy occurred because [REDACTED]

[REDACTED] The outcome of this auction was unaffected, because no third-party buy bids were submitted.

The fourth type of non-compliant event involved the use of an incorrect offer curve for the DAE auction. For the DAE auction for 12/29/2017, Brattle observed that the auction offer curve exceeded the SOP cap allowed by the Tariff. In response to Brattle's request for information, SCS stated that they based their offers on an offer curve developed on 12/27/2017, though a more recent curve was available. The outcome of this auction was unaffected because no third-party buy bids were submitted.

The next type of non-compliant event involved SCS's failure to submit offer curves for the HAE auctions from 1/1/2018 HE15 through 1/2/2018 HE11, and for the DAE auction for 1/3/2018. SCS reported that extreme low temperatures in the Southern Balancing Authority Area contributed to high system load [REDACTED]

[REDACTED], potentially affecting system reliability. [REDACTED]

[REDACTED]; SCS expected that there would be no available capacity under these conditions and decided not to submit offer curves for these auctions. SCS subsequently provided Brattle with some supply curve information for the subject HAE auctions, which suggest that capacity may have been available. However, those curves did not reflect [REDACTED]

[REDACTED] that can affect capacity availability. Thus, for all 21 HAE auctions between 1/1/2018 HE15 and 1/2/2018 HE11 for which SCS submitted no offers, there was not sufficient information for Brattle to verify whether or not capacity was actually available for these auctions. Third-parties submitted bids into six of these 21 HAE auctions, but since Brattle was unable to verify available capacity (and price, if any capacity had been available), it is not clear whether the outcome was affected for any of these six auctions. In addition, SCS decided not to

offer capacity for the Firm-LD and Recallable DAE auctions on 1/3/2018. For this day, SCS data showed that some capacity was available, although like the HAE auctions, this data did not reflect [REDACTED] that can affect capacity availability. Further analysis showed that even though third-parties submitted buy bids into this DAE auction, SCS's failure to submit an offer did not affect the auction outcome, since any potential offer price would have been above the third-party bid prices. Nonetheless, for all the auctions discussed above, SCS is required by the Tariff to calculate and submit offer curves reflecting whatever capacity was actually available (which may have been zero).

The final type of non-compliant event involved the inappropriate inclusion of a demand charge in some HAE auction offers in January 2018. For HAE auctions between 1/17/2018 HE22 and 1/23/2018 HE14, Brattle identified that offers into the HAE auction exceeded the SOP cap by \$21.43/MWh, the amount of the demand charge. Effective February 8, 2017, the auction participation rules were modified such that SCS's offer prices into the DAE and HAE auctions no longer include the demand charge component.<sup>5</sup> SCS informed Brattle that the mechanism in place to eliminate the demand charge for the Hour-Ahead offers had been inadvertently turned off. This issue affected the outcome of a total of five auctions. Three auctions cleared at a price higher than they would have if the offers had been made at the SOP cap. SCS subsequently corrected the price for these transactions and notified the counterparty of the change. Additionally, two auctions that did not clear would have cleared if offers had been made at or below the SOP cap. SCS took no action in these cases. This instance of non-compliance marks the first time that the auction outcome has been affected by an error in the computation of available capacity or seller offer prices.

## **B. MONITORING OF AUCTION SPREAD POSTING**

We have continued to monitor SCS's voluntary bid-offer spread posting policy in Year 9. With the exception of the three instances discussed below, we can confirm that a bid-offer spread was posted when the necessary conditions were met, and that when a bid-offer spread was reported, the reported spread was accurately computed. In the course of monitoring, Brattle identified three HAE auctions in February 2017 for which the bid-offer spread reported by OATI was not consistent with the bid and offer data for the relevant auctions. Brattle worked with OATI staff to understand the reason for the discrepancy and identified an issue with the logic of the computation of the bid-offer spread. Specifically, the bid-offer spread is computed in real time during an auction Bid Period. As Bids and Offers are entered into the system, the bid-offer spread is continuously updated to calculate the difference between the lowest-price Offer and the highest-price Bid. Because a negative bid-offer spread indicates that a price crossover event has occurred, logic was built so that once the bid-offer spread becomes negative, it is set to zero and no longer updated. For three HAE auctions, the maximum Bid price temporarily exceeded the minimum Offer price, causing a negative Bid-Offer spread to be computed. As a result the bid-offer spread was set to zero and was not updated to reflect subsequent changes that were made to

---

<sup>5</sup> *Ala. Power Co.*, 158 FERC ¶ 61,131 at P 5 n.10 (2017).

the buy bids throughout the relevant Bid Period—changes that would have resulted in a positive bid-offer spread. Immediately upon discovery of this issue by Brattle, SCS instructed OATI to implement changes to the logic of the bid-offer spread calculation that would prevent this error from occurring in the future.

## 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.”<sup>6</sup> 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.”<sup>7</sup>

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.<sup>8</sup>

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.<sup>9</sup>

---

<sup>6</sup> Auction Rules § 2.4.

<sup>7</sup> *Id.* § 2.41.

<sup>8</sup> Participation Rules § 2.1.

<sup>9</sup> Auction Rules § 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 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.<sup>10</sup>

## **B. NINTH ANNUAL REVIEW**

Van Ness Feldman conducted its annual review for the ninth review period in May and June of 2018. In conducting this 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 two representatives of TranServ International, Inc. ("TranServ"), the Independent Auction Administrator, who have responsibility for the Independent Auction Administrator functions.

SCS has been fully cooperative during this annual review. It has answered all questions, provided the requested documents, made its employees available for interviews, and provided follow-up information in a timely manner. TranServ 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.

---

<sup>10</sup> Participation Rules §§ 2.2-2.3.

## 1. Position of 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 Administrator. 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 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.<sup>11</sup> 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.”<sup>12</sup>

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 bid and offer information.

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.<sup>13</sup> 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 TransServ confirmed that it had not issued a temporary Auction Administrator user ID to either of the Southern Auction Administrators during the review period. Both of the Southern Auction Administrators have webMarket user status as Buyer Company Administrator/Buyer Security Administrator/Seller Company Administrator/Seller Security Administrator, which permits them to access Southern Companies’ confidential bid and offer data, but not the bid and offer data of third parties.

---

<sup>11</sup> *Id.* § 2.1B(b).

<sup>12</sup> Auction Rules § 3.5.

<sup>13</sup> “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 or offer information of a third party only if the user had “Auction Administrator” rights.

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.”<sup>14</sup> 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 by the IAM in June 2017, the IAM requested review of the draft report for accuracy and completeness. The primary Southern Auction Administrator reviewed only Appendices B and C of the draft report, which did not include confidential bid or offer information. 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.<sup>15</sup> 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, and is typically posted on the same day it is received by the Southern Auction Administrator(s).<sup>16</sup> The Southern Auction Administrator does not review the information prior to conveying it to the appropriate SCS employee for posting. The Southern Auction Administrators’ access of the data for this purpose is expressly allowed under the Tariff.<sup>17</sup>

### **3. Secure Storage of Confidential Bid and Offer Information**

Confidential bid or offer information accessed by the Southern Auction Administrator must be “stored in a secure physical or electronic location.”<sup>18</sup> SCS reports that it does not possess any physical records of confidential third-party bid or offer information. SCS further reports that it currently has no electronic records of confidential third-party bid or offer data.

### **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

---

<sup>14</sup> Participation Rules § 2.1B(d).

<sup>15</sup> Auction Rules § 4.2.4.

<sup>16</sup> Historical bid and offer information is posted on the Southern Company website. Southern Company, Historical Bids and Offers, <http://www.southerncompany.com/about-us/energy-auction/historical-bids-and-offers.html> (last visited June 27, 2018).

<sup>17</sup> Participation Rules § 2.1B(b).

<sup>18</sup> *Id.* § 2.1B(d).

Participants pursuant to Section 4.2.4).<sup>19</sup> 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.”<sup>20</sup>

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 Southern Auction Administrator was designated as 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 receipt of historical bid and offer information from the Independent Auction Administrator and forwarding of that information for posting.

The Southern Auction Administrators’ work spaces were moved during the review period. Both before and after this move, their offices were located in a badge-access restricted space to which marketing function personnel do not have access.

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.”<sup>21</sup> Our interviews with the Southern Auction Administrators indicated that they are well versed in the data control restrictions.

---

<sup>19</sup> *Id.* § 2.2.

<sup>20</sup> *Id.* § 2.3.

<sup>21</sup> Southern Company, Energy Auction: Auction Administrator Protocol § 1.3 (undated).

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 Auctions and its compliance with the Tariff during the ninth annual review period, April 24, 2017 through April 23, 2018. This report documents each instance during the review period where we have found that SCS's administration of the Energy Auctions and its offers into the Energy Auctions 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. There are two exceptions worth noting.

First was an instance in which SCS decided not to offer capacity into several HAE and DAE auctions, based on its expectation that there would be no capacity available due to high system demand [REDACTED] resulting from extreme weather conditions. The Tariff requires that SCS calculate and submit offer curves for all auctions reflecting whatever capacity was actually available, even when the available amount is zero. While SCS stated that it believed there would be zero capacity available for the auctions at issue, it is not possible to know if that is actually the case without following the normal procedure for calculating and submitting the offer curves. SCS has acknowledged the curve submission requirement and is committed to abide by that requirement in the future. The second instance involved a miscalculation of the SOP cap that affected the outcome of several auctions, causing three auctions to clear at the wrong price (which SCS subsequently corrected), and two more auctions to fail to clear though they would have cleared at the correct offer price. While this does mark the first time that a non-compliant event has affected the outcome of an auction, it appears to be the result of an unintentional administrative error.

The overall frequency of non-compliant events in Year 9 decreased slightly relative to the prior review period, and continues to be low in absolute terms. We found no evidence of attempts to manipulate the Auctions 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 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 Auctions 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 Auctions, and has given us access to its personnel as we have requested. Except where noted, 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 can confirm that the bid-offer spread has been posted when the necessary conditions were met, and that it was accurately computed with the exception of three HAE auctions discussed in Section VI.B.

Auction participation by third parties, both as bidders and offerors, has decreased considerably relative to the previous year. HAE participation is down [REDACTED], and DAE auction participation also decreased. But despite lower third-party participation, the number of auction clearings and the amount of energy cleared has not decreased materially, and in some respects has increased. Overall, 9.0 GWh cleared through the HAE auction, slightly higher than the amount of energy (8.6 GWh) cleared in Year 8. A total of 90 HAE auctions cleared in Year 9, about 1.0% of all HAE auctions, down slightly from 97 in Year 8. One DAE auction cleared in Year 9, the first DAE auction clearing since Year 5.

Since the eighth annual report, our basic monitoring philosophy and practices have not changed, though we have continued to update our monitoring process to improve the quality of monitoring and streamline the workflow, and to accommodate 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 Uncertainty .....	A-8
Protocol III – Purchases and Sales .....	A-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 Verification .....	A-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-2  
..... B-4  
..... B-5  
..... B-6  
..... 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 numbers were implemented in [REDACTED] for flow date [REDACTED] onwards.

**Original 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								

**Original 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.

<b>Justification for privileged treatment under 18 C.F.R. §§ 388.107 and 388.112</b>	<b>Page of Report</b>
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.	11, 12, 13, Appendix B
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.	11, 12, 13, 19, 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, 11, 12, 20
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.	Appendix B

PUBLIC VERSION—REDACTED

<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>
---	-------------------------------