

Rules on Southern Companies' Energy Auction Participation

1.0 Participation; Definitions

1.1 Southern Companies shall participate in the Energy Auction in accordance with these Rules on Southern Companies' Energy Auction Participation including DA-1, DA-2, HA-1, and HA-2 hereto (collectively, the "Participation Rules").

1.2 Capitalized terms used in these Participation Rules shall have the meanings provided to them in Section 2 of the Auction Rules. In addition, the following terms shall be defined as follows.

1.2.1 Available Capacity: *See* Section 1.3 of Appendix DA-1 and Section 1.3 of Appendix HA-1.

1.2.2 Commitment Cost: The cost to start or change operating modes of a generating unit, as specified in Appendices DA-2 and HA-2.

1.2.3 Controlled Capacity: Capacity controlled by Southern Companies through ownership or contractual arrangement. Capacity shall only be considered "controlled" if Southern Companies have included such capacity in their unit commitment process as a dispatchable resource.

1.2.4 IIC: The "Southern Company System Intercompany Interchange Contract" as filed pursuant to 119 FERC ¶ 61,065 (2007) and designated as Southern Company Services, Inc., Second Revised Rate Schedule FERC Number 138, as amended from time to time.

1.2.5 IIC Manual: That "Allocation Methodology and Periodic Rate Computation Procedure Manual" established pursuant to the IIC.

1.2.5A Independent Auction Administrator: *See* Section 2.1A.

1.2.5B Linked: In the context of a DAE Offer Block or HAE Offer Block, the term used to describe the circumstance where the offer to sell Energy associated with such a DAE Offer Block or HAE Offer Block (as the case may be) is contingent on the sale of either all of the Energy in such DAE Offer Block or HAE Offer Block, or none of the Energy in such DAE Offer Block or HAE Offer Block. In the context of a DAE Unit, the term used to describe the circumstance where (i) the offer to sell Energy associated with such DAE Unit is contingent on the sale of either all of the Energy in such DAE Unit or none of the Energy in such DAE Unit, or (ii) the offer to sell Energy associated with such DAE Unit is contingent on the sale of the Energy associated with another DAE Unit.

1.2.6 Lock-Down Period: As regards the DAE Auction, the one (1) hour prior to the close of the DAE Bid Period. As regards the HAE Auction, the five (5) minutes prior to the close of the HAE Bid Period.

2.0 Establishment and Administration

2.1 Employees of Southern Companies holding any of the following positions may serve as Auction Administrator(s):

| Job Title | Job Description | Department to Which Employee Reports | Department Location in Relation to Rest of Southern Companies |
|--|---|--|--|
| Accounting Coordinator (AC) Contract Analyst (CA) Pool Bill Operations Supervisor (PBOS) | <p>(AC) Responsible for providing accounting support for billing processes under the Intercompany Interchange Contract (IIC), monthly billing and accounting support for Southern Company Transmission, and monitoring of certain Sarbanes Oxley controls.</p> <p>(CA) Responsible for coordinating, managing and administering contract information related to the IIC, producing the monthly energy billings pursuant to the IIC, and providing support in connection with the preparation and submission of data and other information to regulatory agencies.</p> <p>(PBOS) Responsible for providing oversight and direction to Contract Analysts in connection with their duties, as described above.</p> | Financial and Contract Services Organization | Within the Operations Organization, which ultimately reports to the Chief Operations Officer |

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|----------------------|---|---|---|
| Project Manager (PM) | (PM) Responsible for leading, coordinating, and supporting the development and implementation of policies regarding strategic issues in order to promote consistency in regulatory matters at the federal level. | Regulatory Affairs and Energy Policy (a sub-department within the Generation Compliance Organization) | Within the Compliance Organization, which ultimately reports to the Southern Company Compliance Officer and General Counsel |
| Risk Manager (RM) | (RM) Responsible for compliance-related monitoring of activities covered by the Risk Management Policy and by other policies (such as the credit policy, Code of Conduct, and trading floor access policy), and for supervisory oversight regarding the form of master trading agreements, confirmation of trades, credit risk management, price reporting, derivatives accounting and mark-to-market and risk reporting. | Risk Control (a sub-department within Accounting, Finance and Treasury Organization) | Within the Finance Organization, which ultimately reports to the Chief Financial Officer |

None of the foregoing are Southern Companies' Marketing Function Employees or Transmission Function Employees, as those terms are defined in 18 C.F.R. § 358.3(d) and (i).

2.1A Southern Companies may delegate one or more Auction Administrator functions to an independent Auction administrator (the "Independent Auction Administrator"), including the following:

- (a) ensure the Auction software is configured and operates in accordance with the Auction Rules;
- (b) coordinate the implementation of changes to the Auction software;
- (c) perform periodic testing of the Auction software;
- (d) administer the user registration process;

(e) manage, safeguard, and store, subject to confidentiality provisions, all Bid Information, Offer Information, and other and transaction-related information;

(f) assist in responding to inquiries from regulatory entities as related to Auction activities;

(g) coordinate with Southern Companies and the Independent Auction Monitor regarding administration of the Auction software and Auction Rules; and

(h) coordinate with Southern Companies to resolve questions or issues related to operation of the Auction;

2.1B Notwithstanding the foregoing, Southern Companies, as the official operator of the Auction in accordance with this Tariff, may not delegate ultimate responsibility for the Auction to any outside party. In this regard:

(a) Southern Companies shall be the official licensee for the Auction software and shall manage the Auction website and its content; and

(b) Southern Companies, through the Auction Administrator, shall retain the right to access Bid Information, Offer Information, and other transaction-related information of Energy Auction participants other than Southern Companies to the extent such access is necessary to respond to questions or complaints about a particular Auction or to comply with the posting requirements of Section 4.2.4 of the Auction Rules.

(c) Southern Companies shall retain the right to access their own Bid Information, Offer Information, and other transaction-related information at any time and for any purpose.

(d) 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.

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.

3.0 **General Provisions**

3.1 **Sales of Energy Outside the Energy Auction**

3.1.1 During the DAE Bid Period of a DAE Auction for a Delivery Day that is not a weekend day or NERC holiday, Southern Companies shall not make, other than through such DAE Auction, any Energy sale of 16 hours in duration and 50 MW or more in quantity to be delivered at a point in the Southern BAA (other than a delivery point located at a metered boundary with a balancing authority area adjacent to the Southern BAA) from 6:00:00 am CPT until 10:00:00 pm CPT on the Delivery Day applicable to such DAE Bid Period.

3.1.2 During the HAE Bid Period of an HAE Auction, Southern Companies shall not make, other than through such HAE Auction, any Energy sale to be delivered at a point in the Southern BAA (other than a delivery point located at a metered boundary with a balancing authority adjacent to the Southern BAA) for delivery during the Delivery Hour applicable to such HAE Bid Period.

3.2 **Transparency**

3.2.1 Southern Companies will report the quantities and prices of sales they made via the Energy Auction to either a reputable index developer or a data hub.

3.3 **Auditing; Auction Monitoring**

3.3.1 In addition to such information identified in Auction Rules Section 4.3.4, the Independent Auction Monitor's reports shall include any instances where it was unable to verify Southern Companies' Available Capacity calculations and inputs, or where issues arose involving availability or the terms of transmission service needed to accommodate an Energy Auction purchase.

3.3.2 In addition to such authorizations identified in Auction Rules Section 4.3.4, the Independent Auction Monitor is authorized to: (i) verify Southern Companies' available capacity calculations, including inputs into those calculations; and (ii) confirm that any transmission service provided by Southern Companies necessary to accommodate a purchase under the Energy Auctions is not unreasonably withheld.

4.0 **DAE Auction**

4.1 **Submission of DAE Offers**

4.1.1 Prior to the Lock-Down Period for a given DAE Auction, Southern Companies shall submit to the Auction Administrator one or more DAE Offers, as developed in accordance with Appendices DA-1 and DA-2.

4.1.2 Notwithstanding the provisions of Auction Rules Section 5.2.1, Southern Companies may not during the Lock-Down Period for a given DAE Auction revise their

DAE Offers as result of them entering into one or more sales of Energy outside of the Energy Auction; provided, however, that Southern Companies may revise their DAE Offers for other reasons.

4.1.3 Southern Companies shall identify as an acceptable counterparty in accordance with Auction Rules Section 4.4.1 each Bidder that: (a) has executed a service agreement with Southern Companies that references this Tariff; and (b) is in good standing under such service agreement, including having met all credit requirements thereunder.

4.2 Recallable Energy Curtailment

4.2.1 The Auction Administrator shall notify Southern Companies of the appropriate curtailment priority for all DAE Units awarded to it that are comprised of Recallable Energy.

4.2.2 In the event a DAE Seller experiences such a supply side disruption and determines that it must curtail a portion or all of the Recallable Energy it has been awarded in the DAE Auction, it shall do so in the priority order established by the Auction Administrator, determined as follows:

4.2.2.1 Energy based on lower-priced DAE Bid Blocks shall be curtailed before Energy based on higher-priced DAE Bid Blocks.

4.2.2.2 In the event that two or more DAE Buyers had the same DAE Bid Block, Energy based on a DAE Bid Block submitted later in time shall be curtailed prior to Energy based on a DAE Bid Block submitted earlier in time.

4.2.3 A curtailed DAE Buyer awarded one or more DAE Units comprised of Recallable Energy to be sold by Southern Companies may request, in the event of curtailment, continuity of service (*i.e.*, to not be curtailed by Southern Companies) at a "buy-through" price. The buy-through price for each hour for which continuity of service occurs shall be the greater of: (a) at a price equal to the HAE Auction Clearing Price (if such an HAE Auction Clearing Price exists) applicable to each hour for which such continuity of service occurs (if Southern Companies are awarded Energy through the HAE Auction at that price), or (b) Southern Companies' first (lowest) Offer Price for the HAE Auction for such hour. Southern Companies will honor such request if able to do so without adversely impacting system reliability.

5.0 HAE Auction

5.1 Submission of HAE Offers

5.1.1 Prior to the Lock-Down Period for a given HAE Auction, Southern Companies shall submit to the Auction Administrator one or more HAE Offers as developed in accordance with Appendices HA-1 and HA-2.

5.1.2 Notwithstanding the provisions of Auction Rules Section 6.2.1, Southern Companies may not during the Lock-Down Period for a given HAE Auction revise their HAE Offers as result of them entering into one or more sales of Energy outside of the Energy Auction; provided, however, that Southern Companies may revise their HAE Offers for other reasons.

5.1.3 Southern Companies shall identify as an acceptable counterparty in accordance with Auction Rules Section 4.4.1 each Bidder that: (a) has executed a service agreement with Southern Companies that references this Tariff; and (b) is in good standing under such service agreement, including having met all credit requirements thereunder.

5.2 Curtailment

5.2.1 The Auction Administrator shall notify Southern Companies of the appropriate curtailment priority for all HAE Units awarded to it.

5.2.2 Sales of Energy comprising HAE Units may be interrupted by Southern Companies for any reason or for no reason, without liability on the part of Southern Companies, provided that: (a) sales of such Energy based on lower-priced HAE Bid Blocks shall be curtailed before sales of Energy based on higher-priced HAE Bid Blocks; and (b) in the event that two or more HAE Buyers had the same HAE Bid Block, Energy based on an HAE Bid Block submitted later in time shall be curtailed prior to Energy based on an HAE Bid Block submitted earlier in time; provided, however, that Southern Companies may use a different curtailment priority in the event doing so would result in fewer HAE Units being curtailed than under the curtailment priority provided herein.

6.0 Force Majeure

6.1 Southern Companies shall be excused from non-compliance with the Auction Rules and the Participation Rules, and associated Appendices, to the extent such non-compliance is the result of an event of Force Majeure or otherwise necessary to maintain system reliability or to reliably serve load.