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June 30, 2021

*Via Electronic Filing*

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

RE: *Twelfth 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 twelfth 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 Energy 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

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<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).

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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)



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**Exhibit A**

**Independent Auction Monitor's Annual Informational Report**

**(Public Version—Redacted)**

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# Informational Report for The Southern Companies' Energy Auction

April 24, 2020 to April 23, 2021

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PREPARED FOR



THE FEDERAL ENERGY  
REGULATORY COMMISSION

SUBMITTED BY

The Brattle Group  
Independent Auction Monitor

JUNE 30, 2021



**Informational Report  
for  
The Southern Companies' Energy Auction  
April 24, 2020 to April 23, 2021**

Docket Nos. ER09-88, ER17-514

June 30, 2021

**Prepared By:**

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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 twelfth annual report reviewing the Southern Companies'<sup>1</sup> 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 Tariff<sup>2</sup> 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.

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<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.” Southern Companies sold Gulf Power Company to NextEra Energy effective January 1, 2019, as discussed in Section V.A.

<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, 2020 through April 23, 2021.<sup>3</sup> 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. This was the same result as in Year 11.

**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, 201 HAE auctions cleared, compared with 219 in Year 11. 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]

<sup>3</sup> Throughout this report, we sometimes refer to the current review period as “Year 12,” and to the previous review period, covering April 24, 2019 through April 23, 2020, as “Year 11.”



These [REDACTED] transactions were the first time in the history of the Auction where a match was made between two third-party participants. A total of 16,263 MWh cleared through the HAE auction, modestly less than the 17,595 MWh cleared in Year 11. The transaction size ranged from 2 to 339 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, 2020	7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
May 2020	14	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
June 2020	11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
July 2020	6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
August 2020	3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
September 2020	5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
October 2020	14	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
November 2020	28	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
December 2020	10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
January 2021	9	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
February 2021	53	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
March 2021	34	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
April 1 - 23, 2021	7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total/Average</b>	<b>201</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**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
4/25/2020	12						17.00			
4/25/2020	20						25.50			
4/25/2020	21						23.93			
4/25/2020	22						18.64			
4/25/2020	23						23.20			
4/27/2020	9						18.36			
4/27/2020	10						18.89			
5/2/2020	1						13.00			
5/2/2020	19						21.75			
5/2/2020	22						17.30			
5/2/2020	23						18.00			
5/3/2020	11						9.00			
5/6/2020	3						17.00			
5/10/2020	14						13.15			
5/10/2020	15						13.60			
5/10/2020	16						15.01			
5/20/2020	19						15.00			
5/26/2020	10						10.00			
5/27/2020	8						10.00			
5/28/2020	24						19.77			
5/31/2020	1						12.81			
6/2/2020	8						11.00			
6/5/2020	8						12.00			
6/6/2020	8						9.00			
6/22/2020	21						15.00			
6/22/2020	22						15.00			
6/22/2020	23						13.00			
6/22/2020	24						13.00			
6/23/2020	24						22.33			
6/26/2020	7						8.00			
6/28/2020	14						27.70			
6/30/2020	8						12.00			
7/1/2020	8						10.00			
7/3/2020	24						21.53			
7/7/2020	16						28.92			
7/7/2020	17						32.18			
7/8/2020	17						29.37			
7/30/2020	6						20.63			
8/13/2020	18						41.68			
8/28/2020	13						36.72			
8/29/2020	19						33.64			
9/9/2020	10						19.00			
9/15/2020	15						22.00			
9/18/2020	23						14.00			
9/19/2020	23						11.00			
9/19/2020	24						11.00			
10/4/2020	19						10.00			
10/4/2020	20						10.00			
10/4/2020	22						9.00			
10/5/2020	6						19.45			
10/6/2020	21						24.98			
10/7/2020	19						41.54			
10/7/2020	20						41.66			
10/7/2020	21						28.08			
10/8/2020	14						30.85			
10/8/2020	19						36.00			
10/8/2020	21						27.79			
10/10/2020	19						24.34			
10/11/2020	14						27.26			
10/11/2020	15						28.96			
11/16/2020	11						24.00			
11/23/2020	1						18.94			
11/23/2020	3						18.39			
11/26/2020	11						19.65			
11/28/2020	13						19.57			
11/28/2020	15						19.47			
11/28/2020	16						19.16			
11/28/2020	18						19.34			
11/28/2020	19						19.53			

**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
11/28/2020	20						19.47			
11/28/2020	21						19.43			
11/28/2020	24						15.52			
11/29/2020	7						18.54			
11/29/2020	8						19.06			
11/29/2020	13						18.75			
11/29/2020	14						18.50			
11/29/2020	15						19.30			
11/29/2020	16						19.39			
11/29/2020	17						23.65			
11/29/2020	18						19.96			
11/29/2020	19						19.84			
11/29/2020	20						19.99			
11/29/2020	21						19.44			
11/29/2020	22						18.96			
11/29/2020	23						15.54			
11/30/2020	19						32.72			
11/30/2020	20						30.17			
11/30/2020	21						30.95			
12/11/2020	23						20.64			
12/13/2020	19						29.42			
12/16/2020	19						46.74			
12/17/2020	9						34.46			
12/18/2020	3						59.94			
12/18/2020	4						60.18			
12/18/2020	5						51.61			
12/19/2020	3						31.50			
12/19/2020	4						32.36			
12/19/2020	10						34.00			
1/4/2021	1						20.37			
1/4/2021	9						26.14			
1/4/2021	10						28.89			
1/5/2021	10						27.62			
1/14/2021	9						28.97			
1/20/2021	2						21.34			
1/20/2021	3						21.62			
1/21/2021	1						20.85			
1/30/2021	2						30.00			
2/4/2021	10						28.00			
2/7/2021	11						40.00			
2/7/2021	12						31.94			
2/7/2021	13						30.36			
2/12/2021	14						33.85			
2/12/2021	24						31.20			
2/13/2021	2						31.56			
2/13/2021	3						31.56			
2/13/2021	4						32.96			
2/13/2021	5						41.00			
2/13/2021	12						46.42			
2/13/2021	13						46.63			
2/13/2021	14						36.71			
2/13/2021	15						35.33			
2/13/2021	16						50.00			
2/13/2021	20						47.71			
2/13/2021	21						45.43			
2/13/2021	22						45.00			
2/13/2021	23						30.70			
2/13/2021	24						31.00			
2/14/2021	7						46.00			
2/14/2021	8						35.26			
2/14/2021	9						36.88			
2/14/2021	10						36.20			
2/14/2021	12						39.98			
2/14/2021	13						35.73			
2/14/2021	14						35.04			
2/14/2021	15						36.60			
2/14/2021	16						36.30			
2/14/2021	21						50.82			
2/15/2021	6						70.00			

**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
2/15/2021	7						51.17			
2/15/2021	10						50.05			
2/15/2021	11						39.70			
2/15/2021	12						37.95			
2/15/2021	13						37.72			
2/15/2021	14						37.28			
2/15/2021	17						51.24			
2/16/2021	9						76.13			
2/16/2021	10						65.29			
2/16/2021	11						113.76			
2/16/2021	23						115.35			
2/16/2021	24						115.68			
2/17/2021	3						127.51			
2/17/2021	13						162.35			
2/19/2021	10						52.21			
2/20/2021	8						51.34			
2/20/2021	10						38.44			
2/21/2021	9						48.00			
2/21/2021	10						37.31			
2/21/2021	18						36.07			
2/21/2021	19						36.95			
2/21/2021	20						36.34			
3/7/2021	22						33.00			
3/7/2021	23						31.29			
3/8/2021	4						35.18			
3/8/2021	6						55.00			
3/8/2021	7						60.68			
3/8/2021	8						48.63			
3/8/2021	9						30.22			
3/8/2021	10						33.33			
3/8/2021	11						28.90			
3/8/2021	12						30.00			
3/8/2021	15						21.49			
3/8/2021	16						22.01			
3/8/2021	23						28.00			
3/8/2021	24						25.00			
3/9/2021	8						32.16			
3/9/2021	9						29.92			
3/10/2021	8						30.92			
3/11/2021	8						32.42			
3/11/2021	21						28.69			
3/12/2021	18						32.82			
3/12/2021	19						27.70			
3/19/2021	10						30.77			
3/19/2021	20						32.19			
3/19/2021	21						31.93			
3/19/2021	22						30.57			
3/19/2021	23						21.55			
3/20/2021	7						30.95			
3/20/2021	11						25.88			
3/20/2021	12						28.00			
3/20/2021	23						21.24			
3/29/2021	23						14.00			
3/29/2021	24						14.00			
3/30/2021	23						15.00			
3/30/2021	24						15.00			
4/1/2021	19						17.00			
4/1/2021	20						17.00			
4/1/2021	21						18.00			
4/1/2021	22						18.00			
4/18/2021	16						33.20			
4/20/2021	8						36.00			
4/21/2021	15						30.07			
<b>Total/Average</b>	—									

### III. Energy Auction Offerors

Table 3 lists the 26 registered Auction Participants for the Energy Auction. In Year 12, no new Auction Participants were added, and none were removed. Dominion Energy South Carolina, Inc. (“DESC”) was previously South Carolina Electric and Gas Company (“SCEG”) and Macquarie Energy LLC (“MACQUARIE”) was previously Cargill Power Markets, LLC (“CARGILL”).

**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, L.P.
CCG	Constellation Energy Commodities Group
COEI	Cooperative Energy, Inc.
CONOCO	ConocoPhillips Company
CPLC	Progress Energy Carolinas, Inc.
DESC	Dominion Energy South Carolina, 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
MACQUARIE	Macquarie Energy LLC
MLCI	Merrill Lynch Commodities Inc.
OPC	Oglethorpe Power Corporation
PPLE	PPL EnergyPlus, LLC
REMC	Rainbow Energy Marketing Corporation
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.

[REDACTED] (SCS, [REDACTED]) offered hour-ahead energy in the HAE auction. [REDACTED] Third-party participants [REDACTED] 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 11.

[REDACTED], including SCS, offered Firm-LD energy in at least one DAE auction, [REDACTED] offered Recalable energy in at least one DAE auction; [REDACTED] in the DAE auction than in Year 11. Third-party participants submitted offers into a total of [REDACTED] out of 256 Firm-LD DAE auctions [REDACTED]

SCS offered energy into all of the HAE and DAE auctions, as it is required to do by the Tariff.



## 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 ([REDACTED] of all HAE auctions), [REDACTED] with third-party bids in Year 11. Participation by SCS as a bidder [REDACTED] than in Year 11, with SCS placing bids in [REDACTED] of HAE auctions, [REDACTED] in Year 11. In the DAE auctions, [REDACTED] (SCS, [REDACTED]) 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 [REDACTED] in Year 12, [REDACTED] auctions with third-party bids in Year 11.

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 across the DAE and HAE auctions. For the HAE auction, the average amount of energy bid was [REDACTED] in Year 11. The average amount of energy bid into the Firm-LD DAE auctions was [REDACTED] average in Year 11. The average amount of energy bid into the Recallable DAE auctions [REDACTED] in Year 11.<sup>4</sup>

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<sup>4</sup> 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
[REDACTED]			

\* 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 the past two annual reports, Southern Companies sold Gulf Power Company (“Gulf Power”) to NextEra Energy, effective January 1, 2019, but Gulf Power continues to be a member of the Southern Pool for a five-year transition period following the sale. Gulf Power, which was formally merged with Florida Power & Light Company effective January 1, 2021, may elect to leave the Southern Pool prior to the end of the five-year period, and has indicated through public information that it is now targeting mid-2022 for departure.<sup>5</sup> 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.

<sup>5</sup> Florida Power & Light Company and Gulf Power Company’s 2021-2030 Ten Year Power Plant Site Plan at 5, 83, Docket No. 20200000-OT (Fla. Pub. Serv. Comm’n filed Apr. 1, 2021), available at <http://www.psc.state.fl.us/Files/PDF/Utilities/Electricgas/TenYearSitePlans/2021/Florida%20Power%20and%20Light%20and%20Gulf%20Power%20Company.pdf>.



## 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 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 12, 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 12**

<i>Protocol</i>	<i>Changes in Year 12</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 Participation	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 August 3, 2020. 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 one instance of non-compliance. This is summarized in Table 7 below.

**Table 7**  
**Instances of Non-Compliance in Year 12**

<i>Type of Event</i>	<i>Period Affected by Event</i>
Use of outdated model runs as the basis for submission of offers into OATI in January 2021, when more recent information was available	HAE auctions for 1/10/2021 HE2 and 1/25/2021 HE16

In this review period, we observed a decrease in the overall number of non-compliant events relative to the five instances of non-compliant events in Year 11. The overall frequency of instances of non-compliance continues to be low. In the next section, we briefly describe this non-compliant event. For more detail on this issue, see the issue tracking form included in Appendix B.

### A. NON-COMPLIANT EVENT

The one non-compliant event identified above consisted of the use of data from outdated model runs as the basis for SCS's offer submission into the Auction when more recent information was

available. SCS explained that the Hour-Ahead curves it used for its offers for 1/10/2021 HE2 and 1/25/2021 HE16 were based on out-of-date model runs due to delays in the signaling mechanism between the SOP Server and SOP Client. Brattle interprets that the Tariff requires SCS to base its submissions to OATI on the most recent information available, consistent with the views expressed in past annual reports.<sup>6</sup> Brattle recognizes that up-to-the-minute information may not be available in every instance, but believes that the most recent information that is available should be used to develop submissions to the auction. We believe that basing the OATI offer curve on outdated data when more recent data is available is non-compliant, even when, as appears to be the case here, it is inadvertent.

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

We have continued to monitor SCS's voluntary bid-offer spread posting policy in Year 12. 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. TWELFTH ANNUAL REVIEW**

Van Ness Feldman conducted its annual review for the twelfth review period in May and June of 2021. 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 TranServ International, Inc. ("TranServ"), 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. TranServ has also been cooperative in making representatives available for interview.

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<sup>6</sup> See Second Annual Report of the Independent Auction Monitor at 60-61, Docket No. ER09-88-000 (filed April 25, 2011) (Privileged Version); Seventh Annual Informational Report of the Independent Auction Monitor at 10, Docket No. ER09-88-000 (filed June 24, 2016) (Privileged Version).

## B. 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.

### 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<sup>7</sup> if directed to do so by the IAM, or for the purpose of complying with posting requirements.<sup>8</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>9</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 certain bid and offer information from four months prior.

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 request a temporary Auction Administrator user ID or access any third-party confidential bid or offer information through webMarket during the review period. TranServ confirmed that it had not issued a temporary Auction Administrator user ID to either of the Southern Auction Administrators during the review period.

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<sup>7</sup> Bid information and offer information are defined as prices, terms, and conditions under which a bidder offers to purchase or an offeror offers to sell energy in the Auction. Auction Rules §§ 2.4, 2.41.

<sup>8</sup> Participation Rules § 2.1B(b).

<sup>9</sup> Auction Rules § 3.5.

The primary Southern Auction Administrator has webMarket user status as Buyer Company Administrator/Buyer Security Administrator/Seller Company Administrator/Seller Security Administrator, which permits access Southern Companies' confidential bid and offer data, but not the bid and offer data of third parties. During the review period, the primary Southern Auction Administrator periodically accessed webMarket to, for instance, reset SCS employee passwords or review data on SCS transactions, but did not use webMarket in ways that would give access to confidential third-party bid or offer information.<sup>10</sup> The back-up Southern Auction Administrator did not access webMarket during the review period.

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>11</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 to the FERC by the IAM in June 2020, 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.<sup>12</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 on the Southern Company website. This data is typically posted on the same day it is received by the Southern Auction Administrator.<sup>13</sup> 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.<sup>14</sup>

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<sup>10</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 and offer information of a third party only if the user had “Auction Administrator” rights.

<sup>11</sup> Participation Rules § 2.1B(d).

<sup>12</sup> Auction Rules § 4.2.4.

<sup>13</sup> Historical bid and offer information is posted on the Southern Company website. Southern Company, Historical Bids and Offers, <https://www.southerncompany.com/about/energy-auction/historical-bids-and-offers.html> (last visited June 27, 2021).

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

### 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.”<sup>15</sup> 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.

During the review period, both Southern Auction Administrators worked from their respective homes because of the COVID-19 pandemic. Both Southern Auction Administrators confirmed that they do not possess any physical or electronic records of confidential third-party bid or offer information 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 pursuant to Auction Rules Section 4.2.4).”<sup>16</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 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>17</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 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 Minneapolis, Minnesota, has substantially reduced any risk of

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<sup>15</sup> *Id.* § 2.1B(d).

<sup>16</sup> *Id.* § 2.2.

<sup>17</sup> *Id.* § 2.3.

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. During the review period, the Independent Auction Administrator employees worked 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.

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 during the review period.

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>18</sup> 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. Under the terms of the Tariff, 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 twelfth annual review period, April 24, 2020 through April 23, 2021. This report documents the one 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 exception identified in this report, we have found that SCS has complied with the requirements of the Tariff throughout the review period.

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<sup>18</sup> Southern Company, Energy Auction: Auction Administrator Protocol § 1.3 (undated).

The overall frequency of non-compliant events in Year 12 decreased relative to the prior review period, and continues to be low in absolute terms. 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.

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 one instance identified in this report where SCS did fail to comply fully with specific Tariff provisions appears similar to non-compliant events in previous review periods, in the sense that they appear to result from 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 12 HAE auctions had [REDACTED] [REDACTED] The number of HAE auctions offered into by third parties [REDACTED] as did the number of HAE auctions with third-party bidders [REDACTED] The DAE auctions saw [REDACTED] [REDACTED]. Third parties offered into [REDACTED] for Firm-LD energy and [REDACTED] Recallable energy [REDACTED]; they bid into [REDACTED] Firm-LD and [REDACTED] Recallable DAE auctions, [REDACTED]

The number of auction clearings and the amount of energy cleared has decreased in the HAE auctions relative to Year 11 (which had the most HAE clearings in the Auction’s history), and stayed at zero in the DAE auctions. Overall, 16,263 MWh cleared through the HAE auction, modestly less than the 17,595 MWh in Year 11. The number of cleared HAE auctions decreased to 201 in Year 12 (about 2.3% of all HAE auctions), down from 219 in Year 11. Notably, for the first time, a match was made between two third-party participants.

Since the eleventh 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 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-36

Protocol VII – Recallable Energy Verification.....A-41

Protocol VIII – Auction Clearing Price Verification.....A-48

Protocol IX – Assessment of Transmission Services for Energy Auction Purchases.....A-56

Protocol X – Monitoring of Third Party Participation in the Southern Company Energy Auction.....A-57

**THE REMAINDER OF THIS APPENDIX IS REDACTED**

**APPENDIX B**  
**IAM ISSUE TRACKING FORMS**

I. NON-COMPLIANT EVENTS

 .... B-1

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								

## **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.	
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.	Appendix A, 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, 18

<p align="center"><b>Justification for privileged treatment under 18 C.F.R. §§ 388.107 and 388.112</b></p>	<p align="center"><b>Page of Report</b></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>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 B, Appendix C</p>