

June 30, 2017

Via Electronic Filing

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

RE: *Eighth 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 eighth 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, with voluntary auction enhancements implemented in 2014, and with Tariff and non-Tariff changes that went into effect in February 2017. The Annual Informational Report is submitted with our best efforts, as economists, to serve the purpose of the IAM as articulated in the Federal Energy Regulatory Commission’s orders.¹

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

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

PUBLIC VERSION—REDACTED

Southern Companies join in this request for confidential and privileged treatment. A justification for the 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

D. Wayne Moore
Southern Company Services, Inc.
Bin 15N-8289
600 North 18th Street
Birmingham, AL 35203-2206
205.257.6208
dwmoores@southernco.com

Barbara Levine, Esq.
The Brattle Group
One Beacon Street
Suite 2600
Boston, MA 02108
617.864.7900
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, 2016 to April 23, 2017

PREPARED FOR



THE FEDERAL ENERGY
REGULATORY COMMISSION

SUBMITTED BY

The Brattle Group
Independent Auction Monitor

JUNE 30, 2017

THE **Brattle** GROUP

Informational Report
for
The Southern Companies' Energy Auction
April 24, 2016 to April 23, 2017

Docket Nos. ER09-88, ER17-514

June 30, 2017

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:

Will Gorman
Andrew O'Brien
Nathan Plein
Emily Shorin

Van Ness Feldman, LLP
Douglas Smith
Jeffery L. Winmill

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.

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I. Introduction and Overview

This is the eighth annual report reviewing the Southern Companies'¹ 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 Auction or other serious matters to FERC;
- h. any instances of suspected Energy Auction manipulation or other questionable behavior related to the Energy Auction by any Auction Participant;
- i. confirmation as to whether SCS complied with the Energy Auction Tariff² as relating to 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.

The review period for this informational report is April 24, 2016 through April 23, 2017.³ The rest of the report consists of Sections II through VIII, organized as follows. Section II summarizes

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

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

the 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 the Tariff and non-Tariff changes that went into effect in February 2017, as well as 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, as well as our monitoring of compliance with the voluntary Auction Enhancements that SCS undertook in 2014. 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.

A. 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 have found no evidence that SCS has attempted to evade the Tariff requirements or compromise the Auction’s performance, either intentionally or through negligence, and we found that SCS has complied with the voluntary discounting policy it implemented in 2014 as well as with the Tariff changes that went into effect in February 2017. 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.

Continued from previous page

³ Throughout this report, we may refer to the current review period as “Year 8,” and to the previous review period, covering April 24, 2015 through April 23, 2016, as “Year 7.”

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 signifies no change relative to the previous year, Year 7, which also had no cleared DAE auctions.

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										

Table 2 shows that 97 HAE auctions cleared during the current review period, (compared with 39 in Year 7); [REDACTED] was the seller in [REDACTED] of these, [REDACTED]. A total of 8.6 GWh cleared through the HAE auction, which is three times the amount of energy cleared in Year 7. 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 the cleared HAE auctions, with the exception of two HAE auctions on July 25, 2016, each of which had two matched bids and offers.

Table 2
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
4/29/2016	14						33.60			
4/29/2016	16						41.77			
4/29/2016	17						39.36			
5/28/2016	7						5.00			
6/3/2016	14						32.88			
6/27/2016	7						21.89			
7/8/2016	16						51.03			
7/8/2016	17						50.07			
7/13/2016	16						49.57			
7/25/2016	13						41.71			
7/25/2016	14						50.00			
7/25/2016	15						56.17			
7/25/2016	16						54.61			
7/25/2016	17						51.65			
8/4/2016	13						44.77			
8/4/2016	14						40.69			
8/4/2016	15						48.74			
8/4/2016	16						46.80			
8/4/2016	17						39.50			
8/11/2016	7						28.98			
8/11/2016	8						29.47			
8/11/2016	9						30.74			
8/11/2016	11						42.12			
8/11/2016	15						53.76			
8/11/2016	16						48.88			
8/16/2016	15						52.00			
8/16/2016	16						48.98			
8/22/2016	8						22.00			
8/22/2016	9						24.00			
8/26/2016	17						51.82			
9/6/2016	15						50.42			
9/14/2016	19						42.00			
9/14/2016	22						34.26			
9/14/2016	23						33.03			
9/15/2016	16						50.61			
9/26/2016	7						29.49			
9/30/2016	10						29.85			
9/30/2016	13						30.70			
9/30/2016	16						30.15			
10/4/2016	10						36.84			
10/5/2016	13						41.96			
10/6/2016	12						41.80			
10/7/2016	14						44.00			
10/8/2016	19						36.00			
10/9/2016	18						31.96			
10/9/2016	19						32.00			
10/16/2016	18						36.46			
10/16/2016	20						36.70			
10/29/2016	16						38.23			
10/29/2016	17						36.67			

**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>
11/21/2016	11						26.39			
11/21/2016	14						20.80			
11/21/2016	15						20.47			
11/21/2016	16						21.75			
11/22/2016	8						28.23			
11/22/2016	9						27.87			
11/23/2016	9						29.40			
11/23/2016	10						30.20			
11/25/2016	23						18.81			
11/26/2016	21						33.47			
11/26/2016	24						25.00			
11/27/2016	1						22.07			
11/27/2016	2						23.30			
11/28/2016	1						21.62			
11/28/2016	3						21.84			
11/28/2016	4						22.80			
11/28/2016	5						28.80			
12/1/2016	18						37.82			
12/1/2016	19						40.00			
12/11/2016	23						20.00			
12/19/2016	23						33.04			
12/21/2016	19						30.97			
12/21/2016	24						27.05			
12/28/2016	18						32.85			
12/28/2016	23						22.21			
12/28/2016	24						24.68			
12/31/2016	5						31.81			
12/31/2016	19						32.83			
12/31/2016	20						32.20			
12/31/2016	21						31.83			
12/31/2016	22						31.64			
12/31/2016	24						25.92			
1/1/2017	20						29.73			
1/6/2017	13						33.00			
1/6/2017	16						37.68			
1/8/2017	9						107.29			
1/15/2017	9						28.02			
1/15/2017	11						27.68			
1/19/2017	15						30.82			
2/15/2017	9						20.00			
2/27/2017	4						20.67			
3/16/2017	8						61.43			
3/16/2017	9						50.02			
3/17/2017	8						42.58			
3/29/2017	1						22.84			
3/29/2017	4						21.78			
3/29/2017	20						38.90			

III. Energy Auction Offerors

Table 3 lists the 26 registered Auction Participants for both the HAE and the DAE auctions. In Year 8, there were no new Auction Participants 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.

Four participants (SCS, [REDACTED], [REDACTED], [REDACTED]) offered hour-ahead energy in the HAE auction. These are the same participants as in Year 7. Third-party participants offered energy into a total of [REDACTED] HAE auctions ([REDACTED] of the 8,760 HAE auctions), which is over triple the number of auctions with third-party offers observed in Year 7. Three participants, including SCS, offered Firm-LD Energy in at least one DAE auction, and SCS and one other participant offered Recallable Energy; both these numbers are unchanged from Year 7. Third-party participants submitted offers into a total of [REDACTED] out of 254 Firm-LD DAE auctions ([REDACTED]) and [REDACTED] out of 254 Recallable DAE auctions ([REDACTED]). SCS offered energy into all of the HAE and Recallable DAE auctions, as it is required to do, with the exception of one HAE auction; this is discussed further in Section VI. SCS offered energy into all of the Firm-LD DAE auctions with the exception of two, as a result of there being no Firm-LD Available Capacity for these two DAE auctions.

Table 4 shows the corresponding amounts of energy offered into the HAE and DAE auctions by each participant. Across all the auctions, 49.6 TWh of energy were offered, similar to the 50.4 TWh of energy offered in Year 7.

SCS accounted for the vast majority of offered energy in each of the auctions—over 99.9%, across both the DAE and HAE auctions. As in Year 7, there were three third-party offerors in the DAE auction and three 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 7, the averages were similar at [REDACTED] and [REDACTED], respectively. For the HAE auction, an average of [REDACTED] was offered, also similar to the Year 7 average ([REDACTED]).

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

Participant	HAE		DAE	
			Firm LD	Recallable
SOCO	34,022,922	(99.94%)	10,620,000 (99.73%)	4,953,600 (99.98%)
[REDACTED]				

* Figures in parentheses show percent of total energy offered

IV. Energy Auction Bidders

Table 5 shows the MWh quantities of energy bids by each participant in the HAE and DAE auctions. SCS and four others bid into the HAE auction. Third-party participants bid into HAE auctions, ██████ of all HAE auctions, over triple the number of auctions with third-party bids in Year 7. Participation by SCS as a bidder decreased with SCS placing bids in ██████ of HAE auctions (down from ██████ in Year 7). In the DAE auctions, three participants (including SCS) bid into at least one Firm-LD auction, and one participant placed a bid for Recallable Energy. The total number of DAE auctions with third-party bids decreased to ██████ in Year 8, from ██████ in the previous year.

Across all the auctions, approximately ██████ of energy bids were submitted, with ██████ of this volume submitted through the HAE auctions. SCS accounted for almost ██████ of bid volume in both the DAE and HAE auctions. The average amount of energy bid into the Firm-LD DAE auctions was ██████, slightly lower than the ██████ in Year 7. For the HAE auction, the average amount of energy bid was ██████, slightly higher than the ██████ in Year 7.

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

Participant	HAE	DAE	
		Firm LD	Recallable

* Figures in parentheses show percent of total energy bid

V. Changes in the Auction and Auction Verification Protocols

In this section we describe a number of Auction changes that SCS implemented during this review period in response to feedback from Auction Participants and Commission Staff. These changes are intended to encourage participation in the Auction by third parties and to enhance transparency. The changes are discussed in more detail below, grouped into two sections: Tariff amendments that involve changes to the Energy Auction, and non-Tariff changes mostly associated with the OATI webMarket.

Tariff changes include the elimination of the demand charge from the computation of the Seller Offer Price (“SOP”) cap, modification to the HAE auction bid period, modification to the bid and offer information posting requirements, further restriction of Southern Companies’ access to third-party bid and offer data, and the requirement for the IAM to submit annual informational reports to the Commission.

Non-Tariff changes include an expansion of the OATI platform to include an “Into GTC” energy product, the revision of the criteria for posting bid-offer spread information, and the implementation of a price posting system for Southern Companies’ hourly bilateral purchases and sales.

A. PROCEDURAL HISTORY AND IMPLEMENTATION TIMELINE

On December 9, 2016, Southern Companies proposed revisions to the Auction-related provisions of their Tariff, and also proposed non-Tariff changes to their Day-Ahead and Hour-Ahead Energy auctions. In an order dated February 2, 2017, FERC accepted the proposed changes, subject to condition, to become effective February 8, 2017.⁴ In this order, FERC directed Southern Companies to make a compliance filing within 30 days to further revise their Tariff to ensure “that all sales of less than one year made outside of the Auction in mitigated balancing authority areas will be capped at the relevant Commission-approved cost-based tariff that Southern Companies have (or may have) on file for that product.”⁵

On February 23, 2017, Southern Companies filed revisions to their Tariff in compliance with the February 2, 2017 order. Southern Companies also indicated that, as of February 8, 2017, they had capped the rates for all wholesale energy and capacity sales of less than one-year at levels determined by Southern Companies’ applicable cost-based tariff, and had implemented all of the proposed Tariff changes except the adjustment to the HAE auction bid period. The adjustment to the HAE action bid period was implemented on February 23, 2017, as it required additional time to modify the OATI webMarket application.

⁴ Alabama Power Co., 158 FERC ¶ 61,131 (2017).

⁵ *Id.* at P 21.

On May 17, 2017, the Commission accepted the February 23, 2017 compliance filing, effective February 8, 2017.⁶

B. TARIFF CHANGES

1. Elimination of Demand Charge from Computation of SOP Cap

Appendix DA-2 and Appendix HA-2 to the Participation Rules have been modified such that Southern Companies' offer prices into the DAE and HAE auctions no longer include the demand charge component of \$21.43/MWh, effective February 8, 2017. This Tariff modification formalizes Southern Companies' policy of voluntarily discounting Auction offers, which had been implemented beginning in September 2014.

2. Modification of the HAE Auction Bid Period

Prior to the implementation of the Tariff changes discussed in this section, the HAE auction bid period began 75 minutes prior to the beginning of the Delivery Hour and ended 60 minutes prior to the beginning of the Delivery Hour, with HAE auction clearing taking place immediately upon the end of the Auction bid period. In an effort to address concerns that this timeline might be discouraging Auction participation by third-parties, the HAE auction bid period has been moved to begin and end 10 minutes earlier. Beginning with the HAE auction for power flow on February 23, 2017 HE13, the bid period now opens 85 minutes prior to the beginning of the Delivery Hour and ends 70 minutes prior to the beginning of the Delivery Hour. As explained by Southern Companies in their filing, this modification better aligns the HAE auction with trading in the bilateral market and enables market participants to better assess their market position prior to the end of the final bilateral trading window.

3. Modification to Bid and Offer Information Posting Requirements

Section 4.2.4 of the Rules of the Energy Auction has been modified to require the posting of bid and offer information for each Auction that occurred four months prior to the current month. Prior to this change, the requirement was to post this information with a six, rather than four, month lag. Reducing the amount of time between the posting of bid and offer information and the relevant Auction month is intended to provide more timely information to Auction Participants, while maintaining a delay to protect competitively sensitive information.

4. Further Restrictions to Southern Companies' Access to Third-Party Bid and Offer Information

Beginning in July 2014, Southern Companies voluntarily requested that the Independent Auction Administrator modify the webMarket privileges of the Southern Companies' Auction Administrators ("Southern Auction Administrator") so that they could not access third-party bid or offer information without first requesting and being granted such access by the Independent

⁶ Alabama Power Co., Docket No. ER17-514-001 (issued May 17, 2017) (unpublished letter order).

Auction Administrator. With the filing, Southern Companies modified section 2.1B(b) of the Rules on Southern Companies' Energy Auction Participation to reflect the previously voluntary relinquishment of such access, as well as the parameters governing any necessary access to such information by the Southern Auction Administrator. Under the Tariff as modified, the Southern Auction Administrator will be granted access to third-party information only when explicitly directed by the IAM, or as necessary to comply with the posting requirements.

5. Requirement for the IAM to Submit Annual Reports to FERC

Prior to the implementation of the changes discussed herein, section 4.3.4 of the Rules of the Energy Auction required that the IAM submit reports to the Commission every 12 months for the first three years of operation of the Energy Auction. After the third year, Southern Companies voluntarily directed the IAM to continue to submit annual monitoring reports. The recent Tariff modification again makes IAM annual monitoring reports mandatory, recognizing the importance of independent verification of compliance to provide assurance to both the Commission and Auction Participants.

C. NON-TARIFF CHANGES

1. Implementation of an Auction System for Delivery "Into GTC"

Reflecting feedback from Auction Participants, Southern Companies have directed OATI to expand the webMarket platform to establish separate auctions for hour-ahead and day-ahead energy products deliverable into the Georgia Transmission Company ("GTC") system. Southern Companies have committed to absorb the cost of developing this system and to not seek to recover these costs from their customers or Auction Participants. The "Into GTC" auction system became operational in webMarket on May 31, 2017. Activity in the Into GTC auction is not monitored by the IAM.

2. Modification of Bid-Offer Spread Posting Requirements

In December 2014, in an effort to provide information related to bid-offer activity in the Auction, Southern Companies implemented a system to post the bid-offer spread (computed as the difference between the highest bid and the lowest offer, without regard to whether this bid-offer pair could result in a feasible match). However, due to the small number of bidders and offerors, the requirement that there be three unique bidders and three unique offerors before posting the spread resulted in no spread ever actually posting. After soliciting feedback from Auction Participants, the requirement for posting has been modified such that the presence of a single bidder and a single offeror will be sufficient to yield a posted spread. The benefits of additional transparency and information being provided to Auction Participants outweighed the potential concern that with thin participation, such posting might allow a participating bidder or offeror to reverse engineer additional information about the actual bid and offer values.

3. Implementation of an Hour-Ahead Price Posting System

On February 23, 2017, Southern Companies implemented an electronic bulletin board on which is posted the average price of bilateral transactions by Southern Companies for the hour-ahead “Into Southern” (“Into SOCO”) energy product. Averages are computed for all hour-ahead purchases and sales for each hour 1–24, and are posted at 2pm on the day after the transactions occur. The IAM does not monitor Southern Companies’ posting of these hour-ahead bilateral transaction prices.

D. CHANGES IN MONITORING PROTOCOLS

Our processes and accompanying “tools” that make the needed calculations to validate Available Capacity, Seller Offer Prices, 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 8, there were five changes to our protocols, as summarized in Table 6. These changes are discussed below.

Table 6
Summary of Changes to IAM Protocols in Year 8

<i>Protocol</i>	<i>Changes in Year 8</i>
I. Load Forecasting	No changes
II. Load Forecasting Uncertainty	Updated LFU percentages
III. Purchases and Sales	Modified HAE auction bid period
IV. Outages	No changes
V. DAE Available Capacity and SOP Verification	Eliminated demand charge
VI. HAE Available Capacity and SOP Verification	Eliminated demand charge
VII. Recallable Energy Verification	No changes
VIII. Auction Clearing Price Verification	Modified bid-offer spread posting requirements
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 November 1, 2016. We independently verified these values, which are summarized in Appendix C, and have incorporated them into our daily monitoring.

Protocol III – Monitoring of Bilateral Purchases and Sales

We have adjusted our tools and protocol for monitoring SCS’s bilateral transactions into Southern during the HAE auction bid period to reflect the Tariff change that altered the timing of the HAE bid, which was implemented on February 23, 2017, HE13.

Protocol V – Day-Ahead Available Capacity Verification

We have modified our DAE auction verification tools and protocol to eliminate the demand charge from the computation of the SOP cap for SCS’s offers into the DAE auction.

Protocol VI – Hour-Ahead Available Capacity Verification

We have modified our HAE auction verification tools and protocol to eliminate the demand charge from the computation of the SOP cap for SCS’s offers into the HAE auction.

Protocol VIII – Auction Clearing Price Verification

We have modified this protocol such that the presence of a single separate buyer and a single separate seller, rather than three unique bidders and offerors, is now sufficient for posting the bid-offer spread.

VI. Results of Monitoring

During the current review period, our daily and periodic monitoring activities revealed eight instances of non-compliance. These are summarized in Table 7 below, grouped into five types: one failed HA Offer Curve submission, one exclusion of capacity from the DAE auction, one discrepancy in the calculation of start-up costs for units offered into the HAE auction, three instances that resulted in late postings of HAE auction clearing prices, and two instances of bilateral sales during the prohibited HAE Auction bid period. SCS offered energy into all but one HAE auction; the one exception is a non-compliant event that is included in the table with discussion below. SCS offered energy into all but two of the Firm-LD DAE auctions; in these two instances, there was no Firm-LD Available Capacity for the DAE auctions in question, and thus there was no Tariff noncompliance.

In this review period, we observed an increase in the number of non-compliant events relative to Year 7, though the frequency of non-compliances continues to be low.

Table 7
Instances of Non-Compliance in Year 8

<i>Type of Issue</i>	<i>Period Affected</i>
Failed HA Offer Curve submission in April 2016	HAE auction for 4/25/2016 HE15
Exclusion of capacity from the DAE auction in June 2016	DAE auction for 6/15/2016
Discrepancy in calculation of start-up costs for units offered into HAE auctions in June and July 2016	HAE auctions between 6/16/2016 HE12 and 7/1/2016 HE19
Late posting of HAE auction clearing prices between July 2016 and September 2016	Nine (9) days with HAE auction clearings between July 2016 and September 2016
Prohibited bilateral sales into Southern in November 2016 and March 2017	HAE auctions for [REDACTED]

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. None of the instances described below affected the outcome of the auction(s) involved.

A. NON-COMPLIANT EVENTS

The first non-compliant event involved SCS's failure to submit offers in the HAE auction. On April 26, 2016, SCS notified Brattle that they did not submit offers in the HAE auction for April 25, 2016 HE15. SCS reported that they were unable to submit an offer curve due to the absence of network connectivity as a result of a planned system maintenance outage that lasted longer than scheduled. HE15 was the only hour impacted by this outage, and SCS was able to submit offers for HE16 and beyond. The outcome of this auction was unaffected, because no third-party buy bids were submitted.

The next non-compliant event in Year 8 involved a unit commitment discrepancy in the DAE auction for June 15, 2016. For this DAE auction flowdate, SCS excluded [REDACTED] from [REDACTED] units that appeared to be committed during the relevant delivery period. However, the hourly unit commitment data for this flowdate showed that the units in question were not committed and should have been offered into the DAE auction as they were not otherwise constrained. The outcome of this auction was unaffected, because there were no third-party buy bids submitted.

The third non-compliant event involved discrepancies in the calculation of start-up costs for a number of [REDACTED] units offered in the HAE auction. Brattle identified that a number of [REDACTED] units were offered at a price higher than the SOP cap allowed by the Tariff as a result of an incorrect calculation of the start-up costs for the units in question. This affected the offers into 148 HAE auctions over 16 calendar days between June 16, 2016 HE12 and July 1, 2016 HE19. SCS informed Brattle that the discrepancy in start-up costs was due to administrative oversight, as the start-up costs were not updated correctly in SCS's tools. For the Auctions that were affected, the SOP cap was exceeded by a maximum of 7%, for as many as 316 MWh. While third parties submitted bids into the HAE auction in a number of the affected hours, Brattle confirmed that in each hour the correctly calculated SOP cap was higher than the highest third-party bid. For this reason Brattle concludes that the outcome of the Auction was unaffected. SCS correctly modeled start-up costs for these units in its day-ahead tools, and thus this issue did not affect offers into the DAE auction.

The fourth type of non-compliant event consisted of SCS's late posting of HAE auction clearing prices, affecting nine (9) days between July 2016 and September 2016. According to Section 4.2.2.2 of the Rules of the Energy Auction, the HAE clearing prices must be published within five (5) minutes of the close of the HAE bid period. On July 8, 2016 Brattle noticed that the clearing prices for the HAE auction for July 8, 2016 HE16 and HE17 were not posted to the Southern Company website according to the Tariff requirements. In a separate instance on July 13, 2016, Brattle noticed that the clearing prices for the HAE auction on July 13, 2016 HE16 were not posted to the Southern Company website according to the Tariff requirements. Lastly, Brattle noticed that the clearing prices for HAE auctions for seven (7) days between August 26, 2016 and September 30, 2016 had not been posted to the Southern Company website. SCS manually posted the clearing prices on September 30, 2016. SCS notified Brattle that one of the systems responsible for the automatic posting of Auction clearing prices was incorrectly configured, leading to the failure. SCS has implemented a solution to prevent this issue from occurring in the future.

The final type of non-compliant event in Year 8 involved bilateral sales into the Southern Balancing Authority Area ("BAA") that were conducted outside of the Energy Auction. On [REDACTED], SCS entered into a bilateral transaction to sell power for delivery into the Southern BAA beginning at [REDACTED]. The deal took place at [REDACTED], during the Auction bid period for the delivery hour in question. In a separate event on [REDACTED], SCS entered into [REDACTED] transactions to sell power for delivery into the Southern BAA during the HAE auction bid period. The first deal [REDACTED] and the second deal [REDACTED], during the respective Auction bid periods for the delivery hours in question. SCS explained

that this was the result of an administrative oversight, whereby the trader was under the incorrect impression that the deals in question were for delivery outside of the Southern Balancing Authority, when in reality they were for delivery “Into SOCO”.

B. MONITORING OF DISCOUNTING

For the portion of Year 8 prior to the formalization of the elimination of the demand charge, we continued to monitor Southern Companies’ compliance with its policy of offering a voluntary discount of \$21.43/MWh (the demand charge) for all the energy it offers into the Auction. Prior to the Tariff change that eliminated the demand charge, effective February 8, 2017, SCS complied with its voluntary discounting policy, discounting all the energy it offered into the DAE and HAE auctions by at least \$21.43 (in some cases by a few cents more).

Effective February 8, 2017 we have modified our tools and protocols to monitor that SCS’s offers into the HAE and DAE auctions do not include the demand charge component.

C. MONITORING OF AUCTION SPREAD POSTING

We have continued to monitor SCS’s voluntary bid-offer spread posting policy in Year 8. Prior to the modification of the requirements for posting the bid-offer spread on February 8, 2017, our analysis indicates that none of the HAE or DAE auctions satisfied the condition of three unique bidders and three unique offerors that was required for the spread to actually be posted. Since the modification of the bid-offer spread posting requirement we have continued to monitor Southern Companies’ bid-offer spread posting, and 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 bid-offer spread was accurately computed. The modification of the bid-offer spread posting requirement has resulted in an increase in the frequency of posting of the bid-offer spread.

D. MODIFIED TIMING OF HAE AUCTION CLEARING

We have modified our tools and procedures to adapt to the change in the HAE auction bid period, and continue to verify that Southern Companies’ offers are submitted before the close of the bid period, and that Southern Companies does not enter into prohibited bilateral transactions during the revised Auction bid period.

E. MODIFIED TIMING OF POSTING OF HISTORICAL BID AND OFFER INFORMATION

We have confirmed that this change has been properly implemented, with Southern Companies posting three months of historical bid and offer information in March 2017, and subsequently complying with the requirement to post bid and offer information for the fourth-month prior as required by the Tariff.

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

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.

The Tariff’s data restrictions related to the Energy Auction are contained in the Auction Rules and the Participation Rules. Discrete changes to the data restrictions in the Tariff went into effect on February 8, 2017,⁷ so part of the review period was covered by the current version of the Tariff, and part of the period was covered by the prior version. This Section reviews Southern Companies’ compliance with the data restrictions in both the previous and current versions of the Tariff, as appropriate.

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.”⁸ 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.”⁹

The Tariff provides that the Southern Auction Administrator may only access confidential third-party bid or offer information under prescribed circumstances, and may only use such information for auction administration or audit purposes.¹⁰ Only employees in one of the positions specified in the Tariff may serve as the Southern Auction Administrator.¹¹

Under Section 2.1B(b) of the Participation Rules in effect through February 7, 2017, the Southern Auction Administrator could access confidential third-party bid or offer information as follows:

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

⁷ As related to the data restrictions, FERC accepted changes to the Auction Rules to shorten the time before the monthly posting of certain bid/offer information from six months to four months, and accepted changes to the Participation Rules to codify Southern Companies’ practice of restricting its Auction Administrators’ access to confidential third party information unless directed by the IAM. *Alabama Power Co.*, 158 FERC ¶ 61,131.

⁸ Auction Rules § 2.4.

⁹ *Id.* § 2.41.

¹⁰ *Id.* § 3.5 (“All Bid Information and Offer Information submitted to the Auction Administrator shall be used by the Auction Administrator only for auction administration and audit purposes”).

¹¹ Participation Rules § 2.1.

particular Auction or to comply with the posting requirements of Section 4.2.4¹² of the Auction Rules.

Effective February 8, 2017, Section 2.1B(b) states:

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.

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

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

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

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

* * *

2.3 In order to ensure that Bid Information and Offer Information is maintained in a manner consistent with the foregoing paragraphs, Southern Companies shall impose internal data control restrictions consistent with those used for Standards of Conduct compliance.¹³

¹² Section 4.2.4 of the previous version of the Auction Rules provided that each month the Auction Administrator would post bid and offer information for the sixth month prior, subject to protecting confidentiality of the identity of the offerors and bidders. This delay before posting was changed from six to four months in the current Auction Rules. Auction Rules § 4.2.4.

¹³ Participation Rules §§ 2.2-2.3.

B. EIGHTH ANNUAL REVIEW

Van Ness Feldman conducted its annual review for the eighth review period in May and June of 2017. 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 representatives of TranServ International, Inc. (“TranServ”), the Independent Auction Administrator. The TranServ personnel interviewed were the company’s president and two engineers 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 timely provided follow-up information. 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.

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 Tariff 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.”¹⁴ Under the Participation Rules in effect from April 24, 2016, through February 7, 2017, Southern Companies, through the Southern Auction Administrator, could access confidential third-party bid or offer information “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,” the provision relating to publicly posting certain bid and offer information

¹⁴ Auction Rules § 3.5.

after a number of months.¹⁵ Effective February 8, 2017, the Participation Rules were revised to provide that the Southern Auction Administrator could 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.

SCS reported that the only handling of confidential third-party bid or offer information 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.¹⁶ 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 had made no request for a temporary user ID, and TranServ confirmed that it had not issued a temporary Auction Administrator user ID 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.

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.”¹⁷ There were no such reports made under Section 2.1B(d) during the review period.

While the confidential version of the annual report submitted by the IAM in June 2016 contained limited third-party bid and offer information, the only portions of the draft of that report reviewed by the Southern Auction Administrator were Appendices B and C, which did not include confidential bid or offer information. SCS's outside counsel did review the entire draft of the confidential version of the report for accuracy and completeness.

From April 24, 2016 through February 7, 2017, the Auction Rules required that SCS post, by the end of each month, bid and offer data (without identification of the bidder or offeror) for the

¹⁵ Participation Rules § 2.1B(b).

¹⁶ “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.

¹⁷ Participation Rules § 2.1B(d).

sixth month prior.¹⁸ Effective February 8, 2017, the Tariff was changed to provide for posting of data after four months.¹⁹ 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.²⁰ Southern Auction Administrator access to data for this purpose is expressly allowed under the Tariff.²¹

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.”²² SCS reports that while there is a designated, physically-secure location for the storage of confidential bid and offer information, physical records have not been created.

SCS 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 Participants pursuant to Section 4.2.4).” 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.

¹⁸ Alabama Power Company Market Based Rate Tariff, Record E, Rules on Southern Companies Energy Auction Participation § 4.2.4 (effective April 26, 2011) (previous auction rules § 4.2.4).

¹⁹ Auction Rules § 4.2.4.

²⁰ 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 15, 2017).

²¹ Participation Rules § 2.1B(b).

²² *Id.* § 2.1B(d).

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.”²³

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 IAM). 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 space is 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.”²⁴ 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 requirements of Section 2.3 of the previous and current 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. Van Ness Feldman further found no evidence that SCS marketing function

²³ *Id.* § 2.3.

²⁴ Southern Company, Energy Auction: Auction Administrator Protocol § 1.3 (undated).

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 eighth annual review period, April 24, 2016 through April 23, 2017. 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. We have found no evidence that SCS has attempted to evade the Tariff requirements or compromise the Energy Auction's performance, either intentionally or through negligence, and we found that SCS has complied with the voluntary discounting policy it implemented in 2014, as well as the modifications to the Tariff that went into effect on February 8, 2017. The frequency of non-compliant events in Year 8 increased slightly relative to the prior review period, but 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. Those 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.

In this review period we made a number of changes to our monitoring tools and protocols, primarily to align them with Auction changes that Southern Companies implemented in response to feedback from Auction Participants and Commission Staff.

For the portion of Year 8 prior to the Tariff change that eliminated the demand charge, we monitored Southern Companies' compliance with its policy of voluntarily discounting \$21.43/MWh below the SOP, and found that all energy offered into the DAE and HAE auctions was discounted by at least this amount. 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.

Auction participation by third parties, both as bidders and offerors, is generally similar to that observed in recent review periods, though still relatively low. HAE participation is up since the previous year, with third parties participating in [REDACTED] of HAE auctions as bidders and [REDACTED] of HAE Auctions as offerors. In the DAE auction, the number of third-party bids and offers decreased slightly relative to Year 7. A total of 97 HAE auctions cleared in Year 8, about 1.1% of all HAE auctions, and up from 39 in Year 7. No DAE auctions cleared in Year 8, the same as Year 7.

Since the seventh 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

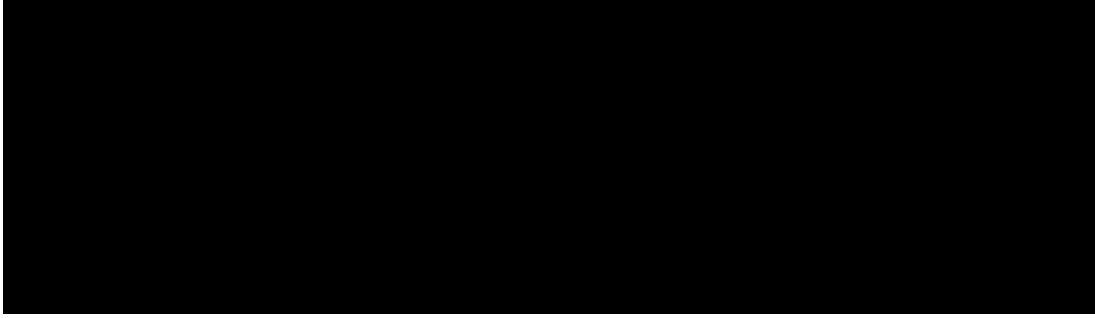
This appendix contains our complete set of protocols. IAM protocols are living documents that are updated periodically as we gain experience in our monitoring role. This appendix includes the current version of each protocol, but we keep older versions on file, and will be able to provide them to the 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-3
..... B-5
..... B-6
..... B-7
..... B-8
..... 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.

Justification for privileged treatment under 18 C.F.R. §§ 388.107 and 388.112	Page of Report
Release of data/information could constitute a violation of the Commission's market-based rate affiliate restrictions and the Separation of Functions and Communications Protocol applicable to Southern Power Company and its subsidiaries, as set forth in Southern Companies' market-based rate tariff.	
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 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.	3, 4, 5, 6, 7, 8, 14, 15, 24
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>
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