

**UNITED STATES OF AMERICA**  
**BEFORE THE**  
**FEDERAL ENERGY REGULATORY COMMISSION**

Southern Company Services, Inc.	)	
Southeast Energy Exchange Market Agreement	)	<b>ER21-1111</b>
Dominion Energy South Carolina, Inc	)	<b>ER21-1112</b>
Louisville Gas and Electric Company	)	<b>ER21-1114</b>
Duke Energy Carolinas, LLC and Duke Energy Progress, LLC	)	<b>ER21-1115</b>
Duke Energy Carolinas, LLC	)	<b>ER21-1116</b>
Duke Energy Progress, LLC	)	<b>ER21-1117</b>
Louisville Gas and Electric Company	)	<b>ER21-1118</b>
Georgia Power Company	)	<b>ER21-1119</b>
Kentucky Utilities Company	)	<b>ER21-1120</b>
Mississippi Power Company	)	<b>ER21-1121</b>
Alabama Power Company	)	<b>ER21-1125</b>
Dominion Energy South Carolina, Inc	)	<b>ER21-1128</b>
	Unconsolidated	

**COMMENT BY THE**  
**SOUTHERN RENEWABLE ENERGY ASSOCIATION**

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”)<sup>1</sup>, the Southern Renewable Energy Association (“SREA”) hereby files this Comment in the above-referenced docket(s). As requested in ER21-1111 (the primary filing), SREA is filing this comment in ER21-1111; however, our comments similarly apply to the above listed unconsolidated dockets, and we request our comments be applied across all dockets.

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<sup>1</sup> 18 C.F.R. §§ 385.211, 214 (2018)

The Southern Renewable Energy Association (SREA) supports the development of an independent organized energy market in the South. While the Southeastern Energy Exchange Market (SEEM) is a step towards better market efficiency, we are concerned that this step will become a stumbling block on the longer journey towards true market reform.

When FERC issued Order 2000 over 20 years ago, the Commission envisioned larger regional organizations where generators, load, state regulators, and other stakeholders could develop more efficient energy markets, together. Specifically, FERC called for an independent organized market in the South. Even though the initial Grid South and SeTran efforts faltered, many other parts of the country moved forward with implementing Order 2000. Since then, the Southeast's competitive wholesale market has remained relatively limited. Renewable energy deployment opportunities are nonuniform throughout the Southeast, and renewable energy successes are predominately the result of smart and dedicated public servants. Wholesale market reform in the Southeast would provide additional tools to our state regulatory agencies, and utilities, to use market competition to drive down electric rates.

Compared to the rest of the country, the Southeast is behind on incorporating wholesale market competition. That lack of competition has led to massive infrastructure failures including the VC Summer nuclear reactor in South Carolina, the Kemper IGCC facility in Mississippi (now under Department of Justice investigation), the rejection by TVA of the Plains and Eastern HVDC Transmission project, the cancellation of the Atlantic Coast Pipeline, the cancellations and/or cost overruns at a number of nuclear reactor projects, and even the anti-trust and anti-competitive business practices reviewed by the Department of Justice regarding Entergy's acquisitions of several natural gas power plants in its region. In Entergy's case, joining a Regional Transmission Organization (RTO), the Midcontinent Independent System Operator (MISO), was a part of a

solution to curb anti-competitive business practices. The lack of wholesale market reform in the Southeast has cost ratepayers billions of dollars in failed projects and lost opportunities. While SEEM will allow a few additional wholesale trades, it is an inadequate response to protect ratepayers from future infrastructure failures.

In this docket, SREA recommends that FERC issue a deficiency letter regarding SEEM. Specifically, the SEEM Agreement needs to:

- **Provide state regulators an oversight role through a Regional State Committee**

This SEEM Agreement is constructed in a fashion that effectively excludes all state regulatory oversight, with no opportunity for state regulators or staff to monitor SEEM and offer recommendations for improvement. Multiple state Public Service Commissioners have conveyed privately that they were not made aware of SEEM until information was publicized in several trade association publications in July 2020. The precise SEEM filing was not made public until filed at the North Carolina Utilities Commission (NCUC) in November 2020; however, no other state regulatory bodies were provided a public version of the SEEM application prior to filing at FERC. State regulators need a seat at the table, but SEEM's governance and oversight does not provide any role or venue for regulators to engage.

- **Open membership and participation to all wholesale sellers and buyers**

As currently envisioned, SEEM Membership Criteria (Section 3.2) requires a member to be a Load Serving Entity (LSE). The Agreement does not address the ability of Independent Power Producers (IPP's), or large-scale Commercial or Industrial (C&I) customers to become members. Without membership, IPP's and major buyers cannot vote on governance or operations decisions

of SEEM. Even though the SEEM application touts the potential benefits of renewable energy growth, it is unseemly to exclude renewable energy voices from all decision-making processes.

SEEM Participation Criteria (Appendix B, Section 3, Southeast EEM Market rules) requires a Participant to “Own or otherwise control a Source within the Territory and/or be contractually obligated to serve a Sink within the Territory”. It is unclear if IPP’s or C&I customers would be allowed to be Participants. Effectively, SEEM is designed in such a fashion that an IPP with a power purchase agreement (PPA) with an LSE could see its set-price power “flipped” to neighboring LSE’s, without the ability to share in the benefit from those potentially higher priced sales. Theoretically, an IPP with several hybrid energy projects or stand-alone energy storage devices in SEEM effectively controls both a source and a sink, potentially clearing the hurdles to become an official Participant. However, because of the highly variable, highly unpredictable, completely voluntary and short-term nature of SEEM, even if IPP’s could theoretically become Participants, no IPP’s could ever confidently enter SEEM as a reasonable primary market for energy sales.

- **Allow for a broad array of stakeholders to participate in SEEM governance**

SREA is a public interest organization and we are involved at the Midcontinent Independent System Operator (MISO) stakeholder process in the Environmental Sector. In Docket No. EL19-11-001, et al., FERC rejected the Southwestern Power Pool (SPP) exit fee required for stakeholder membership, because it created a barrier to membership for IPP’s as well as nonprofit public interest organizations. The SEEM Agreement is a barrier to public participation as it effectively prohibits public interest organizations from being involved in SEEM governance.

The SEEM Agreement does provide for one public annual stakeholder meeting (Article 4, Section 4, “Annual Meeting of Participants and Stakeholders”). SREA recommends and encourages the SEEM Members to host this meeting at the Southeastern Association of Regulatory Utility Commissioners (SEARUC) annual meeting, or an equivalent meeting that would allow our state regulators to participate. SREA also recommends that the annual SEEM stakeholder meeting be accessible remotely/virtually, and that the SEEM Members provide a portal for interested parties to join a listserv for notifications.

- **Utilize an independent market monitor**

The Agreement’s Article 6 covers the Appointment of Southeast EEM Agent. As describe, the Agent is likely to be a Member *and* Participant, creating a clear conflict of interest (Section 6.4 “The Southeast EEM Agent shall have no right or access to data related to the Southeast EEM beyond what it has as a Member and Participant.”) This is an unusual arrangement that is not allowed in the independent organized markets.

The SEEM Agent oversees the proposed Market Auditor. As Ms. Bose's testimony explains, “The Auditor **will not be a market monitor; it will not monitor Participant behavior, nor will it be tasked with suggesting improvements** to the Southeast EEM.”<sup>2</sup> (emphasis added) No independent organized market exists in the United States without an independent monitor.

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<sup>2</sup> Bose Testimony pg. 17

- **Utilize Locational Marginal Pricing (LMP's) for setting pricing**

As explained in the Agreement, SEEM does not propose using Locational Marginal Pricing (LMP). LMP's are a major component of all markets in the United States. FTI Consulting's impressive list of public presentations includes a number regarding locational pricing, including Susan Pope's "Overview of Locational Pricing Principles," Designing the ***Ideal*** ISO for Your Regional Energy Market, Infocast Conference, Washington, DC, May 28, 1999 (emphasis added).<sup>3</sup> Ideal regional energy markets use locational pricing. There are also no price caps, nor limits to how bidding strategies can be developed or evolve over time. Further, because sales and purchases are both entirely voluntary, there are no provisions to prevent SEEM from becoming a zombie market with no activity. At least with LMP pricing, market participants would be able to identify opportunities for greater trading, and better enable a functioning market. No market exists without LMP's.

- **Clearer data transparency**

Ms. Bose's testimony Footnote 159 creates some data transparency uncertainty, stating, "Because the sales will be consummated under the applicable enabling agreement, the Southeast EEM sales will not be identifiable in the EQR reports by 'contract.' However, because all transactions will be in 15-minute increments (which is a rare occurrence today), the Commission will be able to discern with some certainty which transactions were matched through the Southeast EEM." It appears that identifying and analyzing trades on SEEM will require a significant amount of guesswork, and still potentially not accurately assess the effectiveness of SEEM.

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<sup>3</sup> FTI Consulting pg. 15

## **Southeastern Market Reform Technical Conference**

Even with the proposed remedies, SEEM still falls well short of true market reform. SEEM does not use LMP's, does not provide for generation interconnection harmonization, conduct any form of transmission expansion planning, and lacks governance and transparency that are commonplace in independent wholesale markets. SEEM members and participants cannot rely on SEEM transactions for utility planning, and thus cannot maximize ratepayer benefits. Studies and whitepapers by the Brattle Group<sup>4</sup>, Energy Innovation<sup>5</sup>, R Street<sup>6</sup> and the Duke Nicholas Institute<sup>7</sup> show that the Southeast would benefit greatly from developing a larger independent organized market. In the West, where similar discussions about market reform are occurring, stakeholders have developed a DOE-funded state-led collaborative to discuss various market constructs, including EIM's, Day Ahead Market (DAM), and RTO's. That sort of collaboration would be welcome and helpful in the South.

SREA requests FERC and the affected states hold a joint Technical Conference on Southeastern Energy Market Reform to more broadly discuss opportunities for market reform improvements. State policy maker support has been critical to developing the SPP and MISO

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<sup>4</sup> Judy Chang, Johannes Pfeifenberger, John Tsoukalis (April 2019). Potential Benefits of a Regional Wholesale Power Market to North Carolina's Electricity Customers, Brattle Group. [[https://brattlefiles.blob.core.windows.net/files/16092\\_nc\\_wholesale\\_power\\_market\\_whitepaper\\_april\\_2019\\_final.pdf](https://brattlefiles.blob.core.windows.net/files/16092_nc_wholesale_power_market_whitepaper_april_2019_final.pdf)]

<sup>5</sup> Energy Innovation (August 25, 2020). Economic And Clean Energy Benefits Of Establishing A Southeast U.S. Competitive Wholesale Electricity Market. [<https://energyinnovation.org/publication/economic-and-clean-energybenefits-of-establishing-a-southeast-u-s-competitive-wholesale-electricity-market/>]

<sup>6</sup> R Street (August 2020). How Voluntary Electricity Trading can Help Efficiency in the Southeast. [<https://www.rstreet.org/wp-content/uploads/2020/08/No.-201-Energy-Trade-in-the-Southeast.pdf>]

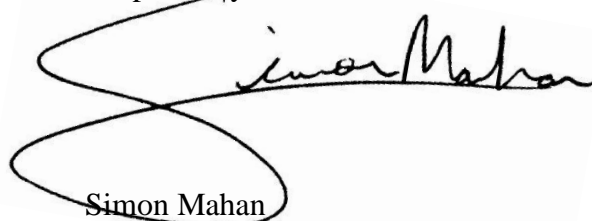
<sup>7</sup> Duke Nicholas Institute (April 2, 2020). Duke University Study Recommends Southeast States, Utilities Consider RTO to Cut Power Costs. [<https://nicholasinstitute.duke.edu/articles/duke-university-study-recommends-southeaststates-utilities-consider-rto-cut-power-costs>]

RTOs. Each region developed clear roles for state regulators through the Regional State Committee at SPP and the Organization of MISO States at MISO to guide regional market and transmission development. Through the RSC and OMS, state regulators are able to engage in market improvements while retaining jurisdictional boundaries. SEEM has been specifically designed to exclude these vital state regulatory voices, and a technical conference would aid in reviewing true market reform options.

**Conclusion**

SREA requests that FERC issue a deficiency letter addressing our concerns regarding governance, transparency, and market reform issues. Regardless of how FERC determines this case, SREA believes a larger Southeastern Energy Market Reform Technical Conference is warranted and desired by numerous stakeholders in the region. SEEM shows that there are opportunities for improving the market in the region; however, only a Technical Conference will enable our state regulatory agencies to have a seat at the table regarding market reform.

Respectfully Submitted,

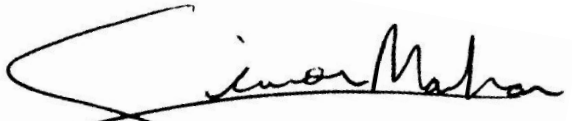
A handwritten signature in black ink that reads "Simon Mahan". The signature is written in a cursive style with a large, sweeping loop at the beginning.

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**CERTIFICATE OF SERVICE**

CERTIFICATE OF SERVICE I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary of this proceeding. Respectfully submitted this 15<sup>th</sup> day of March, 2021.



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