FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
Alabama Power Company
Georgia Power Company
Mississippi Power Company
Duke Energy Carolinas, LLC
Duke Energy Progress, LLC
Louisville Gas and Electric Company
Kentucky Utilities Company
Dominion Energy South Carolina, Inc.

Docket Nos. ER21-1111-000
ER21-1112-000
ER21-1114-000
ER21-1115-000
ER21-1116-000
ER21-1117-000
ER21-1118-000
ER21-1119-000
ER21-1120-000
ER21-1121-000
ER21-1125-000
ER21-1128-000
(not consolidated)

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On February 12, 2021, in Docket No. ER21-1111-000, Southern Company Services, Inc., as agent for Alabama Power Company (Alabama Power), acting on behalf of Alabama Power and the other Members of the Southeast Energy Exchange Market (Southeast EEM) (collectively, Filing Parties), submitted the Southeast Energy Exchange Market Agreement (Southeast EEM Agreement). In conjunction with the Southeast EEM Agreement filing, each Member of the Southeast EEM that is a transmission service provider with an open access transmission tariff (OATT) on file with the Commission, including Southern Companies, ¹ submitted amendments to its respective OATT to offer

¹ Southern Companies refers, collectively, to Alabama Power, Georgia Power Company (Georgia Power), and Mississippi Power Company (Mississippi Power).
zero-charge transmission service for Energy Exchange transactions facilitated by the Southeast EEM (called Non-Firm Energy Exchange Transmission Service or NFEETS). Also, each of the other Commission-jurisdictional Members of the Southeast EEM, in conjunction with the Southeast EEM Agreement filing, submitted a Certificate of Concurrence (together, the Concurrence Filings).  

Please be advised that your submittals are deficient and that additional information is required in order to process the filings. Please provide the information requested below. To the extent that some of the required information may contain confidential material, please submit a non-public version in addition to the public version for Commission review.

1. Filing Parties state that Southern Companies anticipate submitting a maximum energy exchange price that will be no more than the mitigated price cap that is set forth in their Market-Based Rate (MBR) Tariff (MBR Tariff). Filing Parties explain that “[i]f the match price is above the ‘maximum Energy Exchange Price’ for buyers in mitigated [balancing authority areas], the match price will be adjusted down to the ‘Energy Exchange Price.’”

a. When Filing Parties state that the match price will be adjusted down to the “Energy Exchange Price,” do they mean adjusted down to the “maximum Energy Exchange Price”?

i. If the answer is no, when the final match price is above the maximum Energy Exchange Price, what will the final price be?

ii. If the Energy Exchange Price is below the maximum Energy Exchange Price, what will the final price be?

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2 Southern Companies, Filing, Docket No. ER21-1125-000 (filed Feb. 12, 2021); Duke Energy Carolinas, LLC (DEC), Filing, Docket No. ER21-1115-000 (filed Feb. 12, 2021); Dominion Energy South Carolina, Inc. (Dominion Energy SC), Filing, Docket No. ER21-1128-000 (filed Feb. 12, 2021); Louisville Gas & Electric Company (LG&E), Filing, Docket No. ER21-1118-000 (filed Feb. 12, 2021).

3 Georgia Power, Filing, Docket No. ER21-1119-000 (filed Feb. 12, 2021); Mississippi Power, Filing, Docket No. ER21-1121-000 (filed Feb. 12, 2021); Dominion Energy SC, Filing, Docket No. ER21-1112-000 (filed Feb. 12, 2021); DEC, Filing, Docket No. ER21-1116-000 (filed Feb. 12, 2021); DEC, Filing, Docket No. ER21-1117-000 (filed Feb. 12, 2021); Kentucky Utilities, Filing, Docket No. ER21-1120-000 (filed Feb. 12, 2021); LG&E, Filing, Docket No. ER21-1114-000 (filed Feb. 12, 2021).

4 Alabama Power, Filing, Docket No. ER21-1111-000, at 40 (filed Feb. 12, 2021) (Southeast EEM Transmittal).
Exchange Price, will the final price be the maximum Energy Exchange Price or the Energy Exchange Price?

b. To help explain the mechanics of how the Southeast EEM, including the Energy Exchange Price, will interact with existing market power mitigation in certain balancing authority areas and for specific participants, please address the following:

i. Please provide further explanation, with examples, on how the “maximum Energy Exchange Price,” “match price,” and “Energy Exchange Price” will be used in the bidding process.

ii. Please explain what the mitigated price cap is, how it works, and provide examples. Please also explain whether the mitigated price cap refers to the cost-based cap associated with the average variable cost, or to the incremental variable cost, within the Southern Companies’ Energy Auction in mitigated balancing authority areas.5

iii. Please explain why it is just and reasonable to use the mitigated price cap for non-intra hour trading as a cap for real-time, 15-minute energy trading.

2. Under Southern Companies’ MBR Tariff, Southern Companies are required to offer all available and uncommitted thermal generating capacity6 (the must

5 In December 2008, the Commission accepted Southern Companies’ proposal to establish a day-ahead and hour-ahead auction for energy to mitigate prospectively any ability that Southern Companies’ may have to exercise market power in the Southern Balancing Authority Area. The Commission found that the Energy Auction, as implemented under the conditions imposed by the Commission, would sufficiently mitigate any potential that Southern Companies may have to exercise market power in the Southern BAA. See Southern Co. Servs., Inc., 125 FERC ¶ 61,316 (2008); see also Ala. Power Co., 158 FERC ¶ 61,131 (2017).

6 Southern Companies’ available capacity is calculated by first determining their total generating capacity, including owned generating units and third-party purchases. From this total generating capacity, Southern Companies subtract (1) the portion of their total generating capacity that is unavailable due to planned or existing outages, derates, or operational constraints, and (2) the amount of capacity that is already committed. The remaining amount constitutes Southern Companies’ “available capacity.” All available capacity is offered into the Energy Auction. See Alabama Power, Filing, Docket No. ER10-2881-014, attach. A, at P 46 (filed June 14, 2014).
offer requirement) into the Energy Auction in (1) firm Energy that is subject to liquidated damages and recallable in 50-megawatt (MW) blocks of day-ahead energy and (2) in non-firm 1 MW blocks of hour-ahead energy.

a. Southern Companies’ existing MBR Tariff states that all “available capacity” is offered into the Energy Auction. Please explain how the Energy Auction and the Southeast EEM will work together. As part of your explanation, please address whether “available capacity” would be offered first to the Energy Auction and then to the Southeast EEM, or whether “available capacity” would be offered to the Southeast EEM before the Energy Auction in the mitigated balancing authority areas.

b. Please confirm that the Southeast EEM proposal would not change the definition of available capacity in Southern Companies’ MBR Tariff.

3. Filing Parties assert that the Southeast EEM will enhance bilateral, intra-hour (15-minute increment) trading of a non-firm energy product. Please clarify how the Southeast EEM will interact with or replace transactions that would occur under other bilateral agreements or any other aspects of existing markets by addressing the following:

a. Please identify what product(s) currently available in the bilateral wholesale energy market could reasonably be a substitute for the 15-minute residual energy Southeast EEM product.

b. What is the supply in MWs of 15-minute residual energy expected to be offered, in terms of the number of companies offering to sell energy and the size of their offers, in a typical peak and off-peak period? What is the expected demand, in terms of the number of companies offering to purchase energy and their size, in a typical peak and off-peak period?

c. Do you expect trades for 15-minute residual energy will expand across the whole Southeast EEM Territory? Do you expect to have areas where some sellers are unlikely to find a match?

d. Do you expect congestion, as in frequently binding constraints, would affect how trades are distributed across the Southeast EEM Territory in any time period? Do you expect that there will be frequent times when

7 Id.

8 Alabama Power, Market Based Rate Tariff, Record F, Appendix DA-1 to Participation Rules (1.0.0).
one area may not be able to trade with another because of congestion? If so, how would you expect to measure congestion in the Southeast EEM?

4. Filing Parties state that the Southeast EEM will not create new opportunities for market manipulation, such that the Commission’s existing auditing and monitoring tools for bilateral markets will remain sufficient. Specifically, Filing Parties explain that the Commission will have access to individual trades via the Electronic Quarterly Reports (EQR) that 13 of the Southeast EEM Members are required to submit, representing approximately 98% of the total net energy for load of the Members. Filing Parties further explain that the Commission will continue to have access to e-Tag data submitted pursuant to Order No. 771. Filing Parties assert that Southeast EEM transactions will be easily identifiable in EQR and e-Tag data given the 15-minute duration of the schedule and use of NFEETS. Filing Parties also note that the Commission will have access to the aggregated Southeast EEM data in the informational reports that the Southeast EEM Administrator (Administrator) will post publicly. Lastly, Filing Parties state that the “three-eligible-counterparty rule,” i.e., the requirement that all Participants have “toggled on” at least three unaffiliated potential counterparties each time they bid or offer, will protect against opportunities for market manipulation.

a. Please explain what, if any, information will routinely be available to the Commission to detect and address potential market manipulation in a near real-time manner (e.g., less than 30 days) in the Southeast EEM.

b. Please explain whether the Administrator, Southeast EEM Market Auditor, or Membership Board will have the authority to respond to requests from the Commission for the following information for any and all Participants: specific parameter data for all 15-minute intervals, including toggled counterparty choices; Enabling Agreement counterparties; toggled balancing authority area choices; Available Transfer Capability made available to the Southeast EEM; bid/offer

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9 Southeast EEM Transmittal at 40.


11 Southeast EEM Transmittal at 40-42.

12 Id. at 40-41.
curves with price and quantity information; price caps; and/or matched bids with their associated price information.

c. Please explain whether the Administrator, Southeast EEM Market Auditor, or Membership Board will be required to inform the Commission of potential violations of the Southeast EEM Market Rules or the Commission’s statutes, regulations, or orders when and if they are identified.

5. To become a Participant in the Southeast EEM, a prospective Participant must, among other requirements, have or enter into an Enabling Agreement with at least three or more Participants. The Southeast EEM Agreement defines an Enabling Agreement as “a bilateral agreement for the purchase and sale of Energy that provides for Energy Exchanges between a Seller and a Buyer and that, for Sellers that are Public Utilities and require authorization to engage in sales for resale of electric energy, capacity or ancillary services at market-based rates under Section 205 of the FPA, has been entered into pursuant to such Seller’s market-based rate authority.” 13 Filing Parties state that all transactions in the Southeast EEM will be consummated under Enabling Agreements instead of being consummated within the Southeast EEM itself.14

a. Are there any limitations on a Participant’s ability to refuse to enter into an Enabling Agreement with a prospective or current Participant?

b. Are Participants required to provide any reason for refusing to sign an Enabling Agreement with a prospective or current Participant?

c. What are the options for prospective or current Participants to challenge refusals by Participants to enter into an Enabling Agreement?

6. Filing Parties propose that the Administrator will create and maintain informational reports, including a monthly report of the weighted average match prices and daily reports containing the weighted average exchange price. 15 According to Filing Parties’ affiant, manipulation of the average exchange price is unlikely because the weighted average Southeast EEM prices

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14 Southeast EEM Transmittal at 14.

are not well-suited for settling related contracts that would be susceptible to manipulation and, further, it would be difficult for participants to materially change the weighted-average prices. Additionally, Filing Parties’ affiants clarify that any party that does not consummate its Southeast EEM transactions—either by dispatching up its cleared supply or dispatching down its current supplies to reflect its cleared demand—will face imbalance charges.

a. Please explain how access to e-Tag data, EQRs, and any other data provided by the Administrator or Southeast EEM Market Auditor (Auditor) could be used to detect potential exchanges that are cleared by the Southeast EEM but not physically consummated.

b. Please explain the reasoning for including unconsummated transactions in the calculation of the weighted average exchange price.

c. Please describe what, if any, data or information on unconsummated Southeast EEM transactions will be made available to the Commission, either in reports provided by the Southeast EEM Administrator or elsewhere.

7. The Southeast EEM Agreement states that the Administrator will be responsible for, among other things, (1) the on-going functions of the Southeast EEM System and overseeing and/or performing the operation and maintenance services necessary to allow the Southeast EEM System to operate in a reliable manner, and (2) maintaining open communications by and among the Southeast EEM Administrator, Participants and the Southeast EEM Agent. The proposed Southeast EEM Market Rules state that the Auditor will perform its functions at the direction of the Membership Board. The Auditor will report its conclusions and provide any supporting data in the event that problems are identified to the Membership Board on an after-the-fact, periodic basis. The Membership Board will maintain sole responsibility for

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17 Operations Aff. ¶ 47.

18 Southeast EEM Agreement § 2.3.


20 Id.
determining whether to share the information any further.\textsuperscript{21}

a. What authority does the Administrator have to report concerns with the functionality, correct operations, and accordance with Market Rules of the Southeast EEM, or to recommend improvements to the Southeast EEM, to the Membership Board or to any other entities? Must the Administrator wait for an auditing interval to report such concerns to the Auditor, or does the Administrator have other means of sharing concerns with the Membership Board or other parties?

b. The proposed Southeast EEM Market Rules describe one of the Auditor’s auditing functions as to “[p]rovide evaluation regarding the proper function of the Southeast EEM System, and the effectiveness of any Southeast EEM System specific controls in place related to the operation of the Southeast EEM System.”\textsuperscript{22}

i. Please explain the process that the Auditor will use to ensure that the Southeast EEM system is functioning properly.

ii. Please describe what is meant by “any Southeast EEM System specific controls in place related to the operation of the Southeast EEM System.”

c. The proposed Southeast EEM Market Rules describe one of the Auditor’s auditing functions as to “[r]efer any complaints received to the Membership Board, and investigate further at the Membership Board’s direction.”\textsuperscript{23}

i. Please explain whether the Membership Board is required to respond to the Auditor’s reports and referred complaints.

ii. Please explain the criteria that the Membership Board will use to evaluate the Auditor’s reports and referred complaints and to determine whether further action is necessary.

d. Filing Parties’ affiants state that the Auditor will be responsible for responding to questions from Participants and/or regulators regarding

\textsuperscript{21} Id.

\textsuperscript{22} Id.

\textsuperscript{23} Id.
the integrity of the matching process.\textsuperscript{24}

i. Please clarify to which regulators the Auditor will be required to respond. Please also clarify on what timeline the Auditor will respond to questions from regulators or Participants.

ii. Please clarify whether the Auditor will be required to send its response to a question from a regulator or Participant to the Membership Board for review, prior to responding.

iii. Please explain what information the Auditor will have access to on its own to answer questions about the integrity of the matching process, or whether it will need to rely upon the Administrator to provide such information.

8. The Southeast EEM Territory shares borders with the Midcontinent Independent System Operator, Inc. (MISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP). Filing Parties state that the Southeast EEM proposes to observe all physical and contractual limits on the transmission system of the Southeast EEM Members.\textsuperscript{25} Filing Parties explain that an Energy Exchange transaction under the Southeast EEM would not be matched if that transaction needed to rely on a neighboring transmission system.\textsuperscript{26}

a. Please explain how the Southeast EEM will interact at the seams with MISO, PJM, and SPP. Please explain how SEEM will manage loop flow, including an explanation of whether such loop flow would require additional interregional coordination, beyond that which exists today and how such coordination would work to respect contractual circumstances such as the MISO Settlement.

b. Filing Parties state that the Southeast EEM does not alter how transmission availability is calculated for bilateral transactions today and will not adversely affect the MISO Settlement, which provides for the contractual rights to transfer up to 1,000 MWs of energy between

\textsuperscript{24} Operations Aff. ¶ 52.

\textsuperscript{25} Southeast EEM Members Answer, Docket No. ER21-1111-000, at 51-55 (filed Mar. 30, 2021) (Southeast EEM Members Answer).

\textsuperscript{26} Id. at 51.
MISO South and MISO Midwest via transmission facilities operated by MISO.27

i. Please explain how the operation of the Southeast EEM (i.e., matching bids and offers and consummation of Energy Exchange transactions) and the Southeast EEM’s preclusion against transactions occurring over neighboring transmission systems will respect the 1,000 MWs of contractual rights under the MISO Settlement.

ii. Please explain which service—NFEETS or non-firm service under the MISO Settlement—would get priority on the systems of Southeast EEM Participating Transmission Providers.

9. Filing Parties state that since the Southeast EEM “will only use transmission that is not otherwise being used, [NFEETS] will not result in underfunding of transmission.”28 At the same time, Filing Parties indicate that availability of NFEETS may result in “some slight decrease in Point-to-Point revenues, which in turn would lessen revenue credits used to offset” charges to network service transmission customers.29 According to Filing Parties, any increase in network transmission service rates would be “roughly balanced” by expected benefits from decreased energy costs resulting from the Southeast EEM.30

a. Please explain how the statement that NFEETS will only use transmission that would not otherwise be used is consistent with the potential for a reduction in point-to-point transmission service reservations as a result of NFEETS. To the extent the increase in network service transmission rates due to an erosion of point-to-point transmission service reservations exceeds benefits to network service


29 Id. ¶ 23.

30 Econ. Aff. ¶ 67.
transmission customers resulting from the Southeast EEM, please explain how the zero-rate for NFEETS is consistent with cost causation.

b. Please explain how the availability of NFEETS may impact rates for firm point-to-point transmission charged by each prospective Southeast EEM Member that is a transmission service provider.

c. Please explain how the information Filing Parties propose to have posted regarding NFEETS meets the Commission’s OASIS requirements.

10. Filing Parties state that the Southeast EEM Market Rules present the mathematical equation for how Energy Exchange prices will be calculated.\(^3\)\(^1\) Filing Parties also state that certain other implementation details are the type of information that the Commission regularly finds are best left to unfiled business practice manuals.\(^3\)\(^2\) Further, Filing Parties explain that the Southeast EEM Members commit to posting any applicable business practice manuals and meeting minutes on the Southeast EEM Website.\(^3\)\(^3\)

a. Please clarify what implementation details related to the functioning of the Southeast EEM Algorithm—such the conditional logic, iterations, or other computational processes that will be used by the Southeast EEM Algorithm—you propose to include in the business practice manuals.

b. Please clarify whether the Southeast EEM business practice manuals will be posted to a publicly viewable portion of the Southeast EEM website, i.e., whether the manuals will be publicly accessible. If not, please clarify which entities will be able to access the manuals.

c. In addition to the posting of the business practice manuals on the Southeast EEM website, please describe any data about the Southeast EEM Algorithm’s operation that will be posted to the Southeast EEM website, aside from the data that will be published in hourly, daily, and

\(^3\)\(^1\) Southeast EEM Members Answer at 49 (citing Southeast EEM Market Rules § IV.C.5.a (“Each Energy Exchange Price will be the sum of: 1) the average of the Bid Price and Offer Price for the Energy Exchange, and 2) half the net Losses for all Transmission Service Providers along the Contract Path, where net Losses equals the Losses paid for by Seller minus the Losses paid for by Buyer.”)).

\(^3\)\(^2\) Id.

\(^3\)\(^3\) Id. at 41 n.140.
monthly ex-post reporting.

11. Filing Parties state that prior to being permitted to provide NFEETS, Participating Transmission Providers shall provide sufficient information to permit the Administrator to create a Network Map of the Southeast EEM Territory for the purpose of confirming available capacity for NFEETS along Contract Paths for all potential Energy Exchanges. Filing Parties define “Network Map” as the computer-based representation of all Participating Transmission Provider service territories, Balancing Authorities, valid transmission paths (Point of Receipt – Point of Delivery combinations), Sources, and Sinks.

a. Please describe what information will be sufficient to permit the Administrator to create a Network Map, including how that information would be updated to reflect the 15-minute intervals.

b. Please explain how the Southeast EEM Algorithm will ensure that transmission capacity submitted by Participants as available for NFEETS is consistent with Available Transfer Capacity on the relevant transmission lines.


a. Please provide further justification for the application of the Mobile-Sierra “public interest” standard of review to any changes to the Southeast EEM Agreement proposed by a non-party or the Commission.

b. Please explain why the Southeast EEM Agreement establishes contract rates that qualify for the Mobile-Sierra presumption. Alternatively, please explain why the Commission should apply Mobile-Sierra to the

34 Southeast EEM Market Rules § IV.A.2.

35 Id. § II.

36 Southeast EEM Agreement § 16.9.
Southeast EEM Agreement if it is not classified as a contract rate.

c. What standard of review will apply to amendments to the Southeast EEM Agreement proposed by the Members?

This letter is issued pursuant to 18 C.F.R. § 375.307 and is interlocutory. This letter is not subject to rehearing under 18 C.F.R. § 385.713. A response to this letter must be filed with the Secretary of the Commission within 45 days of the date of this letter by making a deficiency filing in accordance with the Commission’s electronic tariff requirements. For your response, use Type of Filing Code 170 if your company is registered under program code “M” (Electric Market Based Rate Public Utilities) or Type of Filing Code 180 if your company is registered under program code “E” (Electric Traditional Cost of Service and Market Based Rates Public Utilities). In addition, submit an electronic version of your response to Cecelia Coffey at cecelia.coffey@ferc.gov. The information requested in this letter order will constitute an amendment to your filing and a new filing date will be established. A notice will be issued upon receipt of your filing.

Pending receipt of the above information, a filing date will not be assigned to your filing. Failure to respond to this letter order within the time period specified may result in a further order rejecting your filing.

Issued by: Kurt M. Longo, Director, Division of Electric Power Regulation – East

37 The filing must include at least one tariff record to restart the statutory timeframe for Commission action even though a tariff revision might not otherwise be needed. See generally Electronic Tariff Filings, 130 FERC ¶ 61,047, at PP 3-8 (2010) (explaining that the Commission uses the data elements resulting from the tariff filing process to establish statutory filing and other procedural dates).

38 See Duke Power Co., 57 FERC ¶ 61,215, at 61,713 (1991) (“the Commission will consider any amendment or supplemental filing filed after a utility’s initial filing . . . to establish a new filing date for the filing in question”).