



**Federal Energy Regulatory Commission
December 18, 2008
Open Commission Meeting
Staff Presentation
Items E-6 and E-24**

"Good morning Chairman and Commissioners.

E-6 and E-24 involve two recent filings by Southern Company Services, Inc., acting as agent for Southern Companies.

The draft order in E-6 conditionally approves Southern Companies' proposal to amend their market-based rate tariff to institute an auction process for certain transactions into the Southern Balancing Authority Area. The draft order provides that if Southern Companies agree to conditions the Commission has imposed on the auction proposal, it would provide the Commission with a sufficient basis to find that Southern Companies have mitigated their potential generation market power within the Southern Balancing Authority Area.

E-6 recognizes Southern's proposal as a significant step forward, and commends Southern for undertaking this initiative. The draft order finds that the auction proposal appears sound, and accepts the proposed tariff changes conditioned upon clarifications regarding the authority of the Independent Auction Monitor and upon the auction being opened up to other sellers within twelve months. In particular, Southern Companies must ensure that the Independent Auction Monitor is authorized to: (1) verify Southern Companies' Available Capacity calculations; (2) confirm that any transmission service necessary to accommodate a purchase under the auction is not unreasonably withheld; and (3) independently file reports with the Commission regarding the auction process. The draft order requires that the Independent Auction Monitor provide regular reports every twelve months to the Commission regarding the functioning of the auctions and specifies information to be provided in those reports. In addition, the draft order specifies that the Auction Administrator and the Independent Auction Manager must have confidential access to each other.

The draft order in E-6 gives Southern Companies 30 days in which to: (1) inform the Commission of whether and how they plan to proceed with revising their auction proposal based on the findings and conditions provided in the order, (2) propose an Independent Auction Monitor for Commission approval, and (3) submit a copy of the proposed contract between Southern Companies and the Independent Auction Monitor.

E-24 addresses the updated market power analysis filed by Southern Companies on August 29, 2008. Because the mitigation proposal in E-6 deals with the Southern Balancing Authority Area, E-24 only addresses Southern Companies' potential market power as it relates to the Southern Balancing Authority Area. The remaining balancing authority areas for Southern Companies' first-tier markets will be addressed in a subsequent order.

Southern Companies' updated market power analysis for the Southern Balancing Authority Area shows that Southern Companies pass the pivotal supplier screen but fail the market share screen in all seasons, creating a rebuttable presumption that they possess horizontal market power. The draft order in E-24 notes that Southern Companies submitted the auction proposal addressed in E-6 in order to mitigate any perceived generation market power in the Southern Balancing Authority Area and that E-6 has directed a compliance filing notifying the Commission whether Southern Companies will revise the auction based on the conditions established by the Commission E-6. The draft order in E-24 states that if

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Southern Companies revise the auction proposal in accordance with the Commission's conditions, the Commission will conclude that the auctions adequately mitigate any horizontal market power Southern Companies may have in the Southern Balancing Authority Area.

The team would be happy to answer any questions."