



FEDERAL ENERGY REGULATORY COMMISSION

December 18, 2008

Docket Nos. ER09-88-000 & ER96-780-020

Item Nos. E-6 and E-24

Chairman Joseph T. Kelliher

Statement of Chairman Joseph T. Kelliher on Southern Market-Based Rate Orders

"Today, the Commission approves an energy auction process proposed by Southern Companies that includes a must-offer obligation, day ahead and hourly auctions with supply offers capped at cost-based rates, and independent monitoring of the auction. I believe this order is an important step forward towards strengthening wholesale competition in the Southeast. It has the potential to both prevent the exercise of market power and greatly improve price transparency in the Southeast.

The United States has different kinds of wholesale power markets. Some regions of the country have regional transmission organizations with organized wholesale power markets. Other regions, such as the Southeast, are structured as bilateral wholesale markets. I believe that each of these different regional markets can achieve effective competition.

That has been our approach in recent years, achieving steady improvements through incremental reforms which are respectful of regional differences. Sometimes these reforms involve generic changes, such as the open access transmission tariff in Order No. 888 and 890. Other reforms are more focused. But the goal is the same – evolutionary reforms and incremental improvements to the wholesale marketplace. The order we approve today is no small step. It represents a major change in the Southeast power market, by establishing a short term power market platform and much needed price transparency.

We conditionally approve the auction process proposed by Southern to require third party participation. In their filing, Southern Companies stated they are willing to expand the auction proposal to include sellers other than Southern and we are accepting their proposal based on a commitment to expand the auction. In today's order, we provide additional guidance regarding refinements that need to be adopted in order for the Commission to find that Southern Companies have fully mitigated any potential they might have to exercise market power in their home control area.

I want to commend Southern Companies for making this filing. Southern Companies have proposed a creative solution that holds great promise for effectively mitigating any potential generation market power, which will improve wholesale market transparency in the Southeast, and which builds on the bilateral wholesale market structure which currently exists in the Southeast. I hope the guidance we provide today will encourage Southern Companies to continue developing this platform for wholesale electricity trading in the Southeast. It is a proposal that holds great promise."