

156 FERC ¶ 61,100
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

Alabama Power Company	Docket Nos. ER10-2881-014
Southern Power Company	ER10-2882-014
Mississippi Power Company	ER10-2883-014
Georgia Power Company	ER10-2884-014
Gulf Power Company	ER10-2885-014
Oleander Power Project, Limited Partnership	ER10-2641-014
Southern Company - Florida LLC	ER10-2663-014
Southern Turner Cimarron I, LLC	ER10-2886-014
Spectrum Nevada Solar, LLC	ER13-1101-009
Campo Verde Solar, LLC	ER13-1541-008
Macho Springs Solar, LLC	ER14-787-002
	EL15-39-000

ORDER ON METHODOLOGY FOR PREPARING ELECTRIC QUARTERLY
REPORT DATA

(Issued August 9, 2016)

1. On April 27, 2015, the Commission issued an order¹ addressing an updated market power analysis filed by Southern Companies.² In that order, the Commission instituted a proceeding under section 206 of the Federal Power Act (FPA),³ in Docket

¹ *Alabama Power Co.*, 151 FERC ¶ 61,071 (2015) (April 27 Order).

² Southern Companies include: Alabama Power Company, Southern Power Company, Mississippi Power Company, Georgia Power Company, Gulf Power Company, Oleander Power Project, LP, Southern Company – Florida LLC, Southern Turner Cimarron I, LLC, Spectrum Nevada Solar, LLC, Campo Verde Solar, LLC, and Macho Springs Solar, LLC.

³ 16 U.S.C. § 824e (2012).

No. EL15-39-000, to determine whether Southern Companies' market-based rate authority in certain balancing authority areas is just and reasonable.⁴ Among other things, the Commission stated that it reviewed data from the Electric Quarterly Report (EQR) database and that this review indicated that Southern Companies' prices were consistently higher than their competitors' prices in the study period.⁵ The Commission determined that this suggests that Southern Companies' existing tailored mitigation may not be effective at mitigating Southern Companies' presumed market power.

2. On May 27, 2015, Southern Companies requested rehearing of the Commission's April 27 Order. As part of that filing, Southern Companies state that the April 27 Order relies on a non-public, Commission-conducted study of EQR data as a basis for finding that their day-ahead and hour-ahead energy auctions may no longer serve as sufficient mitigation. Southern Companies argue that they have not been provided a meaningful opportunity to respond to the study. In this order, as discussed below, the Commission provides additional information regarding the methodology⁶ used to prepare EQR data for purposes of reviewing Southern Companies' market-based rate sales within the Southern Company Services, Inc. (Southern) balancing authority area and provides Southern Companies an opportunity to respond.

3. The EQR database contains information about all wholesale electricity transactions within the Southern balancing authority area, including long-term and short-term wholesale energy sales and wholesale sales of products other than energy. To conduct the review of EQR data referenced in the April 27 Order, the EQR data for the Southern balancing authority area was first separated into categories of product types before categorizing sales as hourly market-based rate sales of energy products in the Southern balancing authority area for analysis.⁷ Appendix A of this order details

⁴ We note that on May 23, 2016, Commission Staff held a technical conference to discuss select issues relating to Southern Companies' market-based rate authorization.

⁵ Specifically, the Commission stated that it reviewed EQR data to examine volume weighted hour-ahead and day-ahead prices and that this review indicated that Southern Companies' hour-ahead and day-ahead prices are consistently higher than their competitors' prices. April 27 Order, 151 FERC ¶ 61,071 at P 20. We clarify here that this review examined hourly prices, not both hour-ahead and day-ahead prices.

⁶ See *City of Holyoke Gas & Elec. Dep't v. FERC*, 954 F.2d 740, at 743 (D.C. Cir. 1992) (ruling that the Commission must provide information on its rate calculations and underlying assumptions to support its decision).

⁷ Appendix A of this order describes in more detail the process used to categorize and select EQR data for this review.

the calculation and comparison of the hourly volume-weighted average prices for sales of energy and booked out power.⁸ The Commission's review indicated that Southern Companies' volume-weighted average prices were consistently higher than their competitors' prices for hourly sales of energy and booked out power in the Southern balancing authority area.⁹

4. In response to Southern Companies' contention that the Commission did not provide Southern Companies with an opportunity to respond to the analysis of the EQR data referenced in the April 27 Order, we will give Southern Companies 30 days from the date of this order to respond to the EQR data preparation methodology described in this order and in Appendix A. Other aspects of Southern Companies' request for rehearing of the April 27 Order will be addressed in a subsequent order.¹⁰

The Commission orders:

(A) The Commission hereby provides a detailed description of the methodology used to prepare EQR data for purposes of conducting the review of Southern Companies' sales referenced in the April 27 Order.

(B) Southern Companies' response concerning the methodology used to prepare EQR data is due within 30 days of the date of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁸ The Commission's review was limited to hours when both Southern Companies and at least one other seller were making sales of a comparable product because these hours reflect the same system load, weather conditions, natural gas spot prices, and transmission system configuration for Southern Companies and the other non-Southern Companies sellers in the Southern balancing authority area.

⁹ April 27 Order, 151 FERC ¶ 61,071 at P 20.

¹⁰ On June 26, 2015, Southern Companies filed a response to the April 27 Order. Southern Companies' response will be addressed in a subsequent order.

Appendix A

Methodology for Preparing EQR Data

A detailed summary of the Commission's methodology for preparing EQR data to conduct the review of Southern Companies' hourly market-based rate sales of energy products referenced in the April 27 Order is provided below.

- Step 1. Downloaded raw EQR data from the Commission's website:
<http://www.ferc.gov/docs-filing/eqr.asp>¹¹
- Step 2. Applied Initial Filters: Sorted and selected relevant EQR data by time period, location, product name, and standardized reported units:
 - Time Period: "Filing Quarters" Q4 2011 through Q4 2012 were selected and then observations were limited to the relevant study period (December 1, 2011 through November 30, 2012).
 - Locations: The study area was identified by choosing transactions with a "Point of Delivery Balancing Authority (PODBA)" listed as "SOCO" or a "Point of Delivery Balancing Authority (PODBA)" listed as "HUB" with the corresponding "Point of Delivery Specific Location (PODSL)" listed as "SOCO (into)."
 - Products: "Energy" and "Booked Out Power" were chosen.
 - Standardized Units: "Transaction Quantity" and "Price" information was converted from reported units (e.g., kWh and cents/kWh) to MWh and \$/MWh units.
- Step 3. Filtered Out Data Not Usable in this Analysis: Removed unusable data from further analysis according to the following instructions:
 - Removed data from further analysis if any of the following were true:
 - "Product Type Name" was "Cost Based"
 - "Product Type Name" was "Transmission"
 - "Transaction Quantity" was less than 0¹²

¹¹ Definitions of the EQR-related terms used in this Appendix can be found in version 1.1 of the EQR Data Dictionary, which was effective during the study period. See Data Dictionary issued in *Revised Public Utility Filing Requirements*, Order No. 2001-I, 125 FERC ¶ 61,103 (2008).

¹² These transactions constituted 1.45 percent of the total hourly MWh analyzed.

- The reported “Rate Units” value for the “Energy” or “Booked Out Power” products could not be reliably converted into “\$/MWh” (e.g., “Rate Units” = “Flat Rate”)¹³
- Step 4. Evaluated Price Outliers: Removed prices which were above or equal to \$1,000/MWh¹⁴ or below or equal to \$-30/MWh.¹⁵
- Step 5. Adjusted Time Zones: All transactions in the Southern (SOCO) BAA were converted to the same time zone to make accurate hourly comparisons. Specifically, “Transaction Begin Date” and “Transaction End Date” were first converted to Universal Time Coordinated (UTC) and then converted to Eastern Standard Time.
- Step 6. Filtered For Only Hourly Products: To remove longer-term transactions and examine hourly products only, first filtered out any transaction spanning one day or longer and then filtered out frequently repeated prices within a day or quarter.
 - Created a new variable, Hour Length, calculated by subtracting the “Transaction Begin Date” from the “Transaction End Date.”
 - Removed transactions if Hour Length indicated the transaction was an on-peak daily (i.e., 15 or 16 hours long) or a non-hourly product (i.e., longer than 23 hours).
 - Removed transactions if repeated prices indicated they were transacted under a long-term contract or could otherwise be characterized as non-hourly.
 - Removed transactions if “Filing Quarter,” “Seller Company Name,” “Customer Company Name,” “Contract Unique ID,” “Class Name,” “Point of Delivery Specific Location,” and “Price” repeated more than 120 hours within a quarter.
 - Removed transactions when the “Filing Quarter,” “Seller Company Name,” “Customer Company Name,” “Contract Unique ID,” “Class Name,” “Point of Delivery Specific Location,” and “Price” repeated more than seven hours within a day.

¹³ These transactions constituted 0.23 percent of the total hourly MWh analyzed.

¹⁴ These transactions constituted 0.01 percent of the total hourly MWh analyzed.

¹⁵ These transactions constituted 0.03 percent of the total hourly MWh analyzed.

Hourly Volume-Weighted Average Price Analysis

- Compared Southern Companies' hourly volume-weighted average prices (VWAPs) to non-Southern Company sellers' prices for sales of comparable products (i.e., "Energy" and "Booked Out Power") in the same hour in the Southern BAA, using the EQR data as filtered above.
 - Calculated VWAPs of the transactions as equal to the sum of "Price" times "Transaction Quantity" divided by the sum of "Quantity" for each hour, or $\sum(\text{"Price"} * \text{"Transaction Quantity"}) / \sum(\text{"Quantity"})$ for each hour.
 - Compared hourly VWAPs of Southern Company and non-Southern Company sellers for comparable products in the same hour.