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PROJECT NO. 14406

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REGISTRATION OF POWER §
MARKETERS AND EXEMPT §
WHOLESALE GENERATORS §
PURSUANT TO SUBSTANTIVE §
RULE § 25.105 §

PUBLIC UTILITY COMMISSION
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PUBLIC UTILITY
COMMISSION
OF TEXAS

MIRANT ENERGY TRADING, LLC
REGISTRATION AS A POWER MARKETER

Pursuant to PURA Section 35.032 and PUCT Substantive Rule 25.105, Mirant Energy Trading, LLC ("MET") hereby submits the following information for its registration with the Commission as a power marketer:

1. *Provide its address and the name, address, telephone number, facsimile transmission number, and email address of the person to whom communications should be addressed; and the names and types of businesses of the owners (with percentage of ownership).*

David J. Reich
Mirant Americas, Inc.
901 F Street, N.W., Suite 800
Washington, D.C. 20004
(202) 585-3871 – Telephone
(678) 579-5992 – Facsimile
david.reich@mirant.com

Sonnet Edmonds
Mirant Americas, Inc.
1155 Perimeter Center West
Atlanta, GA 30338-5416
(678) 579-5119 – Telephone
(678) 579-5890 – Facsimile
sonnet.edmonds@mirant.com

MET is a 100% wholly owned subsidiary of Mirant Americas Energy Marketing, LP ("MAEM"), which is engaged in the business of trading and marketing energy, capacity, and other energy related products to wholesale customers in the United States..

2. *Identify each affiliate that buys and sells electricity at wholesale in Texas; sells electricity at retail in Texas; or is an electric or municipally owned utility in Texas.*

MET's parent company, MAEM, buys and sells electricity at wholesale in Texas. Two affiliates of MET, Mirant Texas, LP and Mirant Wichita Falls, LP, own electric

generation facilities within the State of Texas that generate electricity for sale at wholesale.

3. *Describe the location of any facilities in Texas used to provide service.*

MET is headquartered in Georgia and its principal place of business is 1155 Perimeter Center West, Atlanta, Georgia, 30338-5416.

4. *Provide a description of the type of service provided.*

MET markets electric energy, capacity, and energy related products at wholesale to customers in the United States.

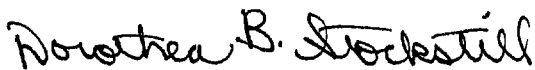
5. *Submit copies of all its FERC registration information, filed with FERC subsequent to the effective date of this section.*

See attached.

6. *Submit an affidavit by an authorized person that the registrant is a power marketer.*

See attached.

Respectfully submitted,



Dorothea B. Stockstill

Manager, Market Affairs Regulatory ERCOT

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

Mirant Energy Trading, L.L.C.
Docket No. ER02-1213-000
March 28, 2002

Mirant Americas, Inc.
Attention: Debra R. Bolton, Esquire
Attorney for Mirant Energy Trading, L.L.C.
901 F Street, N.W. Suite 800
Washington, D.C. 20004

Dear Ms. Bolton:

On March 1, 2002, you filed on behalf of Mirant Energy Trading, L.L.C. (Mirant Energy), an application for market-based rate authority, with an accompanying rate schedule. The proposed market-based rate schedule provides for sales of capacity, energy and certain ancillary services at market-based rates and for the reassignment of transmission capacity.

Mirant Energy is a limited liability company that is wholly owned by Mirant Americas Energy Marketing, LP (Mirant Americas). Mirant Americas is wholly-owned by Mirant Corporation, who develops, constructs, owns and operates power plants and sells wholesale electricity, natural gas and other energy commodities through various subsidiaries in North America and Asia. You state that Mirant Energy itself does not own any generating facilities; however, through Mirant Corporation, it owns or controls generation throughout the United States. You also state that Mirant Energy may market the capacity, energy or ancillary services from its affiliates facilities.

The filing was noticed on March 8, 2002, with comments, protests or interventions due on or before March 22, 2002. None were filed.

You state your intention to make sales of capacity, energy and certain ancillary services at market-based rates into wholesale markets administered by Pennsylvania-New Jersey-Maryland Interconnection Market (PJM), the New York Independent System Operator (NY-ISO), the ISO-New England (ISO-NE) and the California Independent System Operator (Cal-ISO). You further state your intentions to sell additional ancillary services into the PJM, NY-ISO, ISO-NE and Cal-ISO markets and additional geographic markets, to the extent the Commission grants authority on a blanket basis to make sales of any such ancillary services to all persons then authorized to make sales of energy and

capacity at market-based rates. Please be advised that consistent with Calhoun Power Company I, LLC, 96 FERC ¶ 61,056 (2001), your request is granted, but this does not relieve you of the requirement to have current and complete tariffs (rate schedules) on file with the Commission under 18 C.F.R. § 35.1 (2000).

In its order announcing the Supply Margin Assessment (SMA) screen in AEP Power Marketing, Inc., et al., 97 FERC ¶ 61,219 (2001), the Commission found that all sales, including bilateral sales, into an independent system operator (ISO) or regional transmission organization (RTO) market with Commission-approved market monitoring and mitigation will be exempt from the SMA screen and, instead, will be governed by the specific thresholds and mitigation provisions approved for the particular markets. Because Mirant Energy will sell into the PJM, NY-ISO, ISO-NE and Cal-ISO markets, and these markets have Commission-approved market monitoring and mitigation in place,¹ Mirant Energy is exempt from the SMA for its sales into those markets and

¹See, e.g., PJM Interconnection, L.L.C., 86 FERC ¶ 61,247 (1999); and Atlantic City Electric Company, et al., 86 FERC ¶ 61,248, clarified, 86 FERC ¶ 61,310 (1999); New York Independent System Operator, Inc., et al., 89 FERC ¶ 61,196 (1999); and New York Independent System Operator, Inc., et al., 90 FERC ¶ 61,317 (2000); New England

Power Pool, 85 FERC ¶ 61,379 (1998), reh'g denied, 95 FERC ¶ 61,074 (2001); San Diego Gas & Electric Co. v. Sellers of Energy and Ancillary Services, et al., 93 FERC ¶ 61,294 (2000) (December 15 order), reh'g pending; San Diego Gas & Electric Co. v. Sellers of Energy and Ancillary Services, et al., 94 FERC ¶ 61,245 (2001) (March 9 order), reh'g pending; Order Establishing Prospective Mitigation and Monitoring Plan for the California Wholesale Electric Markets and Establishing an Investigation of Public

instead is governed by the specific thresholds and mitigation approved for sales in the PJM, NY-ISO, ISO-NE and Cal-ISO markets.

Mirant Energy also proposes to sell capacity, energy or ancillary services in additional markets where their affiliates own or control generating facilities.² Consistent

Utility Rates in Wholesale Western Energy Markets, 95 FERC 61,115 (2001) (April 26 order), reh'g pending; San Diego Gas & Electric Co. v. Sellers of Energy and Ancillary Services, et al., 95 FERC ¶ 61,418 (2001) (June 19 order), reh'g pending; San Diego Gas & Electric Co. v. Sellers of Energy and Ancillary Services, et al., 96 FERC ¶ 61,120 (2001) (July 25 order), reh'g pending.

²Commonwealth Edison, Wisconsin Electric Power, Michigan Electric Coordinated System, Entergy Electric System, Southern Company, Florida Power, Cinergy and Entergy Inc.

with the Commission's findings in recent Commission letter orders,³ Mirant Energy passes the SMA analysis for those markets.

Your market-based rate schedule complies with the Commission's requirements for market-based rates and is accepted for filing, subject to the compliance filing discussed below.

This action does not constitute approval of any service, rate, charge, classification, or any rule, regulation, contract, or practice affecting such rate or service provided for in the filed documents; nor shall such action be deemed as recognition of any claimed contractual right or obligation affecting or relating to such service or rate; and such action is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against Mirant Energy.

Acceptance of Mirant Energy's market-based rate schedule is subject to any tariff condition adopted by the Commission in Docket No. EL01-118-000, Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations, 97 FERC ¶ 61,220 (2001). Within 15 days of the date of issuance of an order adopting a tariff condition in Docket No. EL01-118-000, Mirant Energy is directed to make a compliance filing in the instant proceeding to amend its rate schedule accordingly.

Mirant Energy requests waivers and authorizations typically granted to other sellers of power at market-based rates. The waivers and authorizations requested are granted to the extent specified in Appendix A. In addition, Mirant Energy must comply with the reporting requirements specified in Appendix A. Mirant Energy is hereby informed of the rate schedule designation.⁴

³The letter orders were issued in Docket Nos. ER97-4166-009, ER02-537-000, ER02-900-000 and ER02-1028-000 on March 28, 2002, January 1, 2002, March 19, 2002, and March 20, 2002, respectively.

⁴Rate Schedule FERC No. 1, Original Sheet Nos. 1-5, effective March 29, 2002.

This action is taken pursuant to the authority delegated to the Director, Division of Tariffs and Rates -- East, under 18 C.F.R. § 375.307. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

Alice Fernandez, Director
OMTR/Tariffs and Rates-East

Appendix A

Waivers and Authorizations

Any waivers or authorizations requested by the applicants are granted to the extent specified herein. Waiver of the prior or advance notice requirements, if requested, is granted. The applicant must comply with the reporting requirements specified herein.

If requested, the following waivers of the Commission's Regulations are granted:

- 1) Subparts B and C of Part 35, regarding the filing of rate schedules, except for sections 35.12(a), 35.13(b), 35.15 (which requires applicant to file a Notice of Cancellation or Termination when it ceases its marketing activities), and 35.16 (which requires applicant to file a notice of succession whenever its name or operational control is changed);
- 2) Part 41, regarding accounts, records, and memoranda;
- 3) Part 101, regarding the uniform system of accounts; and
- 4) Part 141, regarding statements and reports, with the exception of 18 C.F.R. §§ 141.14, .15 (1999). Licensees remain obligated to file the Form No. 80 and the Annual Conveyance Report.

See Citizens Energy Corporation (Citizens Energy), 35 FERC ¶ 61,198 (1986), Citizens Power and Light Corporation (Citizens P&L), 48 FERC ¶61,210 (1989), and Enron Power Marketing, Inc. (Enron), 65 FERC ¶ 61,305 (1993), order on rehearing, 66 FERC ¶ 61,244 (1994).

The requirements of Part 34 of the Commission's Regulations regarding securities and assumptions of liabilities are statutory in nature and cannot be waived. If an applicant requested blanket approval under Part 34, a separate notice will be published in the Federal Register following this letter order, establishing a period during which protests may be filed. Absent a request to be heard in opposition within the period set forth in the notice, if the applicant has requested such approval, the applicant is authorized to issue securities and assume obligations or liabilities as guarantor, indorser, surety, or otherwise in respect of any security of another person; provided that such issue or assumption is for some lawful object within the corporate purposes of the applicant, compatible with the public interest, and reasonably necessary or appropriate for such purposes. See Citizens P&L and Enron.

Requests that the Commission waive the requirements of Part 46 of its Regulations regarding interlocking directors are denied. In Enron, the Commission stated that the requirements of Part 46 regarding interlocking directors are statutory in nature and may not be waived.

If requested, until further order of the Commission, the full requirements of Part 45 of the Commission's Regulations, except as noted below, are hereby waived with respect to any person now holding or who may hold an otherwise proscribed interlocking directorate involving the applicants. Any such person instead shall file a sworn application providing the following information: (1) full name and business address, and (2) all jurisdictional interlocks, identifying the affected companies and the positions held by that person. See Enron.

The Commission reserves the right to require a further showing that neither public nor private interests will be adversely affected by continued Commission approval of issuances of securities or assumptions of liabilities, or by the continued holding of any affected interlocks.

Requests for disclaimer of jurisdiction over brokering activities, in which title to electricity is not taken, must be filed separately as a petition for a declaratory order accompanied by the appropriate filing fee. See Citizens Energy and Heartland Energy Services, Inc., 68 FERC ¶ 61,223 (1994).

Requests that the Commission waive annual charges for power marketers, under Part 382 of the Commission's Regulations, are denied. See Morgan Stanley Capital Group Inc. (Morgan Stanley I), 69 FERC ¶ 61,175 (1994) and Morgan Stanley Capital Group Inc. (Morgan Stanley II), 72 FERC ¶ 61,082 (1995).

Requests for waiver of the provisions of section 203 regarding the disposition of jurisdictional facilities, the merger or consolidation of such facilities, or the acquisition of the securities of another public utility, are denied. The provisions of section 203 are statutory in nature and may not be waived. See Resources Recovery (Dade County), Inc., 20 FERC ¶ 61,138 (1982). Requests for clarification that sales of accounts receivable are not dispositions of jurisdictional facilities and are, therefore, not within the scope of section 203, are granted. See Enron. Requests for clarification that the assignment of a power sales contract constitutes a disposition of jurisdictional facilities under section

203 are granted. See Enron. Requests for clarification that funds received from the sale of electricity are not jurisdictional facilities within the meaning of section 203 are

Appendix A
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granted. See Citizens Energy. Also, requests for clarification that the requirements of section 203 do not apply to the facilities of a power marketer that are not involved in the generation, transmission or sale for resale of electric energy, are granted. See Howell Gas Management Co., 40 FERC ¶ 61,336 (1987).

Requests that the Commission waive its requirement that purchasers of electricity under market-based rate schedules certify that the purchase price was equal to or less than its avoided cost, are moot. The Commission eliminated the requirement in Louisville Gas & Electric Company, 62 FERC ¶ 61,016 (1993).

Requests for approval to reassign transmission capacity are found to be consistent with the Commission's requirements. See Southwestern Public Service Company, 80 FERC ¶ 61,245 (1997). Power marketers not requesting approval to reassign transmission capacity are informed that they are authorized to reassign transmission capacity pursuant to the Commission's order in Enron Power Marketing, Inc., 81 FERC ¶ 61,277 (1997).

Requests for approval to buy and sell firm transmission rights are found to be consistent with the Commission's requirements. See California Independent System Operator, Inc., 89 FERC ¶ 61,153 (1999).

Should an applicant or any of its affiliates deny, delay, or require unreasonable terms, conditions, or rates for natural gas fuel or services to a potential electric competitor in bulk power markets, then that electric competitor may file a complaint with the Commission that could result in the applicant's or its affiliate's authority to sell power at market-based rates being suspended. See, e.g., Louisville Gas & Electric Company, 62 FERC ¶ 61,016 at 61,148 (1993).

If the applicant submitted a code of conduct, it is accepted if consistent with Appendix B which reflects requirements adopted in previous Commission orders. Any code of conduct inconsistent with Appendix B is rejected and in such case Appendix B has been designated as the applicant's code of conduct.

Reporting Requirements

Applicants who own generating facilities may file umbrella service agreements for short-term power sales (one year or less) within 30 days of the date of commencement of short-term service, to be followed by quarterly transaction summaries of specific sales (including risk management transactions if they result in actual delivery of electricity). For long-term transactions (longer than one year), applicants must submit the actual individual service agreement for each transaction within 30 days of the date of commencement of service. To ensure the clear identification of filings, and in order to facilitate the orderly maintenance of the Commission's files and public access to documents, long-term transaction service agreements should not be filed together with short-term transaction summaries. For applicants who own, control or operate facilities used for the transmission of electric energy in interstate commerce, prices for generation, transmission and ancillary services must be stated separately in the quarterly reports and long-term service agreements.

Applicants who do not own generating facilities must file quarterly reports detailing the purchase and sale transactions undertaken in the prior quarter (including risk management transactions if they result in actual delivery of electricity). Applicants who are power marketers should include in their quarterly reports only those risk management transactions that result in the actual delivery of electricity. On May 27, 1999, the Commission issued an order in which it modified the reporting requirements for long-term transactions applicable to public utilities without ownership or control over generation or transmission facilities that are authorized to sell power at market-based rates (power marketers). Southern Company Services, et al., 87 FERC ¶ 61,214 (1999), reh'g pending, (Southern). Specifically, with respect to any long-term transaction agreed to by a power marketer after 30 days from the date of issuance of a final order in the Southern case, the power marketer must file a service agreement with the Commission within 30 days after service commences, rather than reporting transactions thereunder in its quarterly transaction summaries. Requests for different reporting requirements are denied.

The first quarterly report filed by an applicant will be due within 30 days of the end of the quarter in which the rate schedule is made effective. Requests to file quarterly

transaction reports on a confidential basis are denied. See National Electric Associates L.P., 50 FERC ¶ 61,378 (1990). See also AIG Trading Corporation, 71 FERC ¶ 61,148 (1995), LG&E Power Marketing Inc., 68 FERC ¶ 61,247, and Enron.

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Each applicant must file an updated market analysis within three years of the date of this order, and every three years thereafter. The Commission reserves the right to require such an analysis at any time. The applicants must also inform the Commission promptly of any change in status that would reflect a departure from the characteristics the Commission has relied upon in approving market-based pricing. These include, but are not limited to: (a) ownership of generation or transmission supplies; or (b) affiliation with any entity not disclosed in the applicant's filing that owns generation or transmission facilities or inputs to electric power production, or affiliation with any entity that has a franchised service area. Alternatively, the applicants may elect to report such changes in conjunction with the updated market analysis required above. Each applicant must notify the Commission of which option it elects in the first quarterly report filed with the Commission.

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

Mirant Energy Trading, L.L.C.	}	Docket No. ER02-_____
	}	

**APPLICATION FOR ACCEPTANCE OF INITIAL RATE SCHEDULE,
WAIVERS AND BLANKET AUTHORITY**

Pursuant to Section 205 of the Federal Power Act (“FPA”),¹ Rules 205 and 207 of the Federal Energy Regulatory Commission’s (“FERC’s” or the “Commission’s”) Rules of Practice and Procedure,² and Section 35.12 of the Commission’s Regulations,³ Mirant Energy Trading, L.L.C. (“MET”) hereby submits for filing its initial rate schedule, FERC Electric Tariff No. 1, under which MET will engage in sales of energy, capacity and ancillary services at market-based rates, and requests expedited Commission approval. Specifically, MET requests that the Commission: (i) accept for filing MET’s proposed market-based Electric Tariff No. 1; (ii) act expeditiously in granting MET’s requests; (iii) waive the 60-day prior notice rule; (iv) order the rates into effect on the earlier of the date the Commission authorizes market-based rate authority, or March 31, 2002; and (v) grant MET blanket authority to make market-based wholesale sales of energy, capacity and ancillary services and waive certain regulatory requirements, as more fully described below.

¹ 16 U.S.C. § 824d (2001).

² 18 C.F.R. §§ 385.205 and 385.207 (2001).

³ 18 C.F.R. § 35.12 (2001).

The following documents are attached in support of this Petition:

- Exhibit A: a Notice Of Filing, both paper copy and on 3 ½” diskette, suitable for publication in the *Federal Register*; and
- Exhibit B: FERC Electric Tariff No. 1 providing for the sale of energy, capacity, and ancillary services at market-based rates.

In further support of this Application, MET states as follows:

I. COMMUNICATIONS

Communications regarding this proceeding should be addressed as follows, and the following names should be included on the official service list in this proceeding:

David J. Reich
Mirant Americas, Inc.
901 F Street, N.W., Suite 800
Washington, D.C. 20004
(202) 585-3817 (telephone)
(678) 579-5992 (facsimile)
david.reich@mirant.com

Sonnet Edmonds
Mirant Americas, Inc.
1155 Perimeter Center West
Atlanta, GA 30338-5416
(678) 579-5119 (telephone)
(678) 579-5890 (facsimile)
sonnet.edmonds@mirant.com

II. DESCRIPTION OF MIRANT ENERGY TRADING, L.L.C.

MET is a Delaware limited liability company with its principal place of business in Atlanta, Georgia. MET does not own or operate any generation, transmission or distribution facilities. MET intends to operate as a power marketer.

MET is a wholly owned subsidiary of Mirant Americas Energy Marketing, LP (“MAEM”). MAEM is a Delaware limited partnership primarily engaged in the business of marketing electricity and other energy commodities at wholesale throughout North America. MAEM is a wholly owned subsidiary of Mirant Corporation (“Mirant Corp.”). Mirant Corp. develops, constructs, owns, and operates power plants and sells wholesale electricity, natural gas and other energy commodities through various subsidiaries.

Mirant Corp. has operations in North America and Asia. All of Mirant Corp's domestic subsidiaries that own generation facilities and require market-based rate authority and/or qualify as exempt wholesale generators have received the requisite approvals from the Commission.⁴ Mirant Corp's domestic subsidiaries have contracted with third-party providers for use of a natural gas asset base in North America, including transportation, storage and access to approximately three billion cubic feet per day of natural gas production. However, Mirant Corp does not own, operate or control any natural gas pipeline or distribution facilities (apart from limited facilities associated with providing natural gas service to its generation facilities).

III. REQUEST FOR BLANKET AUTHORIZATION TO PURCHASE AND RESELL ENERGY, CAPACITY, AND ANCILLARY SERVICES AT NEGOTIATED, MARKET-BASED RATES

MET requests authorization to sell electricity at market-based rates pursuant to the attached FERC Electric Tariff No. 1.⁵ The Commission has authorized entities to make sales of energy, capacity, and ancillary services at market-based rates provided that the seller and its affiliates do not have, or have adequately mitigated, market power in generation and transmission; cannot engage in anticompetitive practices through preferential affiliate transactions or reciprocal dealing; and cannot otherwise erect barriers to market entry by competing suppliers.⁶ Under the analysis used by the

⁴ The Commission recently required Mirant Americas Energy Marketing, LP ("MAEM") to file a revised triennial market power update. See AEP Power Marketing, Inc., 97 FERC ¶ 61,219 (2001) (hereinafter "November 20 Order"). MAEM's triennial market power compliance filing is currently pending before the Commission in Docket No. ER97-4166-009.

⁵ See Exhibit B.

⁶ See, e.g., Louisville Gas & Electric Co., 62 FERC ¶ 61,016 (1993).

Commission in considering market-based rate applications, MET and its affiliates clearly lack the ability to engage in such anticompetitive actions.

A. Generation Dominance

As described above, MET does not own or control any generating facilities. However, MET is a subsidiary of Mirant Corp, which through various subsidiaries, owns or controls generation throughout the United States. MET may market the capacity, energy or ancillary services from these facilities.

On November 20, 2001, the Commission announced that it would begin to evaluate generation market power using the Supply Margin Assessment ("SMA") screen.⁷ In markets where there is no Independent System Operator or Regional Transmission Organization, the Commission stated as follows:

In applying the SMA, we will first consider the control area where the applicant is located. Next we will consider the markets outside the applicant's control area market. An applicant will pass the screen if it or its affiliates own or control through contract an amount of generation located in a control area which is less than the supply margin (generation in excess of load) in the control area. The margin will include the amount of generation that can be imported into the control area limited by the total transfer capability (TTC) of the transmission system (i.e., the lesser of uncommitted capacity or TTC). Sellers and their affiliates would continue to be allowed to sell into any control area where they pass the screen.^[8]

In addition, the Commission stated that the SMA screen does not apply to "sales, including bilateral sales, into an ISO or RTO with Commission-approved market

⁷ See November 20 Order.

⁸ November 20 Order, slip op. at 8.

monitoring and mitigation,” and that sellers in these markets are granted market-based rate authority accordingly. For purposes of analyzing MET’s potential market power, MET assumed that it has the ability to control all the generation of its affiliated entities. Rather than duplicate the SMA analyzes already performed by MET’s affiliates, MET incorporates by reference the market power analyzes recently performed by MAEM (Docket No. ER97-4166-009, submitted December 5, 2001), Shady Hills Power Company, L.L.C. (Docket No. ER02-537-000, accepted by Commission letter order dated January 30, 2002), Mirant Sugar Creek, L.L.C. (Docket No. ER02-900-000, submitted January 30, 2002), and Wrightsville Power Facility, L.L.C. (Docket No. ER02-1028-000, submitted February 15, 2002). Within the past three months, every single entity affiliated with MET has performed a SMA analysis consistent with the Commission’s discussion in the November 20 Order.

MET’s parent company -- MAEM, demonstrated in its’ uncontested triennial market power update, that MAEM and its affiliates lack market power in their relevant geographic markets. As set forth in MAEM’s submittal in Docket No. ER97-4166-009, many of MAEM’s (and MET’s) affiliates are exempt from the SMA screen because they make sales into ISO markets with Commission approved market monitoring and mitigation. Mirant New England, L.L.C., Mirant Canal, L.L.C., and Mirant Kendall, L.L.C. sell into the grid controlled by ISO New England. Mirant Bowline, L.L.C., Mirant Lovett, L.L.C., and Mirant NY-GEN, L.L.C. sell into the grid controlled by the New York ISO. Mirant Chalk Point, L.L.C., Mirant Mid-Atlantic, L.L.C., Mirant Peaker, L.L.C., and Mirant Potomac River, L.L.C. sell into the grid controlled by the PJM ISO. Lastly, Mirant California, L.L.C., Mirant Potrero, L.L.C., and Mirant Delta, L.L.C. sell into the grid controlled by the California ISO.

In the five geographic markets where MET affiliates do not sell into an organized ISO market, MAEM's triennial market power update clearly demonstrated that these affiliates pass the SMA screen in their relevant geographic market. State Line Energy, L.L.C., West Georgia Generating Company, L.L.C., Perryville Energy Partners, L.L.C., Mirant Zeeland, L.L.C., and Mirant Neenah, L.L.C. all handily pass the SMA screen.

In addition, since MAEM submitted its revised market power update on December 5, 2001, three additional companies affiliated with MET have applied to the Commission for market-based rate authority. The Commission, pursuant to a letter order issued January 30, 2002, granted market-based rate authority to Shady Hills Power Company, L.L.C. The market based rate applications of Mirant Sugar Creek, L.L.C. ("Sugar Creek") and Wrightsville Power Facility, L.L.C. ("Wrightsville") are currently pending before the Commission. Both the Sugar Creek and Wrightsville market-based rate applications demonstrate that these entities pass the SMA screen in their respective geographic markets.

Based upon the aforementioned analyzes, MET cannot exercise market power either directly or indirectly through its affiliates. Therefore, MET is unable to exercise market power in generation and qualifies for market-based rate authority.

B. Transmission Market Power

Neither MET nor its affiliates own any transmission facilities other than certain limited interconnection facilities associated with the affiliated generating facilities, such as generation step-up transformers and generator leads that are necessary to effect the sale of electric energy at wholesale.⁹ The Commission has previously determined that

⁹ 15 U.S.C. § 79z-5a(a)(2).

such facilities are not facilities over which third parties would request transmission service and thus do not serve to convey transmission market power.¹⁰

C. Other Barriers to Entry

Neither MET, nor any of its affiliates, owns or controls interstate or intrastate natural gas transmission or distribution lines or facilities, or other essential resources or inputs that could be used to restrict market entry by competing power suppliers in the relevant market. Accordingly, neither MET nor any of its affiliates can erect any barriers to prevent other competing suppliers from entering the market.

D. Affiliate Abuse

The Commission has indicated that its concern over affiliate abuse and reciprocal dealing arises in the context of a seller affiliated with an electric utility having a franchised service territory. Neither MET nor any of its affiliates have a franchised service area for the sale of electricity. Accordingly, neither MET nor any of its affiliates have the power to gain a competitive advantage by pass-through to ratepayers of excessive costs paid to affiliates for power or by ratepayer cross-subsidy or preferential pricing of services.

E. Ancillary Services

MET also seeks authority to sell at market-based rates certain ancillary services. MET intends to sell regulation and frequency response, energy imbalance, operating reserve – spinning reserve service, and operating reserve – supplemental reserve service,

¹⁰ State Line Energy, L.L.C., 77 FERC ¶ 61,040 (1996) (granting market-rate authority to an entity that owned step-up transformers which could not be used by another party to effectuate a sale of electric power at wholesale).

consistent with the Commission's order in Avista Corporation, 87 FERC ¶ 61,223 (1999), order on reh'g, 89 FERC ¶ 61,163 (1999) ("Avista"). In addition, MET may sell ancillary services at market-based into the markets administered by the PJM Interconnection, L.L.C. ("PJM"), the New York Independent System Operator ("NYISO"), the New England Power Pool ("NEPOOL")/Independent System Operator-New England ("ISO-NE"), and the California Independent System Operator ("Cal-ISO").

1. Sales of Ancillary Services Pursuant to Avista

MET cannot obtain estimates of other suppliers' abilities to supply ancillary services in order to support a reliable market analysis that demonstrates MET's lack of market power in the relevant ancillary services markets. MET is not located in a territory encompassed by a tight power pool or in which an independently administered power exchange is in operation. Therefore, MET requests that the Commission authorize it to sell regulation and frequency response, energy imbalance, operating reserve – spinning reserve service, and operating reserve – supplemental reserve service at market-based rates consistent with the conditions set forth in Avista.

Accordingly, MET will (a) establish an internet site that will provide information on, and conduct, ancillary services transactions; (b) post on the internet site the offering prices of all available services; and (c) provide customers with the ability to request services and make bids for those services using the site. In addition, MET will file with the Commission one year after this site is operational, and at least three years thereafter, a report describing its activities in the ancillary services markets. MET will not sell ancillary services at market-based rates to (a) a regional transmission organization ("RTO") such as an independent service operator or a transco, i.e., where the RTO has no ability to self-supply ancillary services but instead depends on third parties; (b) a traditional franchised public utility affiliated with MET, or sales where the underlying

transmission is on the system of the public utility affiliated with MET (as described earlier, there are no such public utilities affiliated with MET); or (c) a public utility who is purchasing ancillary services to satisfy its own Open Access Transmission Tariff requirements to offer ancillary services to its own customers.¹¹

2. Sales of Ancillary Services into RTO/ISO Markets

MET may also sell ancillary services in the markets that are currently administered by independent system organizations, PJM, NYISO, NEPOOL/ISO-NE and California ISO and seeks authorization to sell ancillary services in those markets to the same extent to which the Commission has authorized other suppliers to sell such ancillary services.¹² Specifically, MET requests authorization to sell Regulation, Spinning Reserves, Non-Spinning Reserves, and Replacement Reserves in the ancillary services markets administered by the California ISO; Automatic Generation Control, Ten-Minute Spinning Reserve, Ten-Minute Non-Spinning Reserve, Thirty-Minute Operating Reserve, Operable Capability, and Installed Capability in the ancillary services markets administered by NEPOOL/ISO-NE; Regulation and Frequency Response and Operating Reserves in the ancillary services markets administered by NYISO; and, Energy

¹¹ See Avista at 61,833 n.12.

¹² See AES Redondo Beach, L.L.C., et al., 83 FERC ¶ 61,358 (1998) (authorizing sales of ancillary services at market-based rates into California ISO), order on reh'g and clarification, 85 FERC ¶ 61,123 (1998), order on reh'g and clarification, 87 FERC ¶ 61,208, order on reh'g and clarification, 88 FERC ¶ 61,096 (1999), order on reh'g, 90 FERC ¶ 61,036 (2000), order on reh'g and clarification; New England Power Pool, 85 FERC ¶ 61,379 (1998) (authorizing sales of ancillary services at market-based rates into NEPOOL/ISO-NE); Atlantic City Elec. Co., et al., 86 FERC ¶ 61,248 (1999) (authorizing sales of ancillary services at market-based rates into PJM) and PJM Interconnection, L.L.C., 91 FERC ¶ 61,021 (2000) (same); Central Hudson Gas & Elec. Corp., et al., 86 FERC ¶ 61,062 (1999) (authorizing sales of ancillary services at market-based rates into NYISO).

Imbalance, Regulation, and Operating Reserves (which includes Spinning Reserves, Ten-Minute Reserves and Thirty-Minute Reserves) in the ancillary services markets administered by PJM.

In addition, MET respectfully request authorization to make sales at market-based rates of such additional ancillary services in the PJM, NYISO, NEPOOL/ISO-NE and California control area, and in additional geographic markets, as the Commission may specify and authorize from time to time in orders that extend such authority to all sellers previously authorized to sell energy and/or capacity at market-based rates.¹³

IV. REQUEST FOR AUTHORITY TO REASSIGN TRANSMISSION CAPACITY

Consistent with the conditions established by the Commission for the reassignment of transmission capacity,¹⁴ MET will reassign transmission capacity at a price not to exceed the highest of (i) the original rate paid by MET; (ii) the applicable transmission provider's maximum rate on file at the time of the sale to the eligible customer; or (iii) MET's own opportunity costs, capped at the transmission provider's cost of expansion at the time of the sale to the eligible customer. MET will not seek recovery of opportunity costs in the reassigned transmission price without making a separate Section 205 filing.¹⁵

¹³ See Gilroy Energy Center, et al., 97 FERC ¶ 61,325 (2001) and Calhoun Power Company I, LLC, 96 FERC ¶ 61,056 (2001).

¹⁴ Order No. 888 at 31,694-97; Commonwealth Edison Co., 78 FERC ¶ 61,312, at 62,335-36 (1997).

¹⁵ See Long Beach Generation, L.L.C., 82 FERC ¶ 61,295 (1998).

V. REQUEST FOR EXPEDITED CONSIDERATION

MET respectfully requests expedited consideration of this application for market-based rate authority. MET's application does not raise any market power concerns. Accordingly, MET would like to undertake transactions as soon as possible.

VI. REQUEST FOR NOTICE WAIVER AND ALTERNATIVE EFFECTIVE DATES

MET also requests that pursuant to Sections 35.11 and 35.2(e) of the Commission's Regulations,¹⁶ the Commission waive the 60-day prior notice requirement of Section 35.3(a),¹⁷ and order the attached market-based rate schedule into effect on the earlier of (i) the date of the Commission's Order granting MET's market-based rate authority, or (ii) March 31, 2002. As explained above, MET will be in a position to commence market-based sales on March 31, 2002, and would like to do so pursuant to its authority under the market-based rate schedule attached hereto.

VII. REQUEST FOR WAIVERS AND ADDITIONAL BLANKET AUTHORITY

MET requests waiver from the following Commission Regulations, which have been granted to other sellers of power at market-based rates:

- (a) Subparts B and C of Part 35, regarding the filing of rate schedules, except Sections 35.12(a), 35.13(b), 35.15, and 35.16;
- (b) Part 41, regarding accounts, records, and memoranda;
- (c) Part 101, regarding the uniform system of accounts;
- (d) Part 141, regarding statements and reports;

¹⁶ 18 C.F.R. §§ 35.11 and 35.2(e) (2001)

¹⁷ 18 C.F.R. § 35.3(a).

- (e) The full requirements of Part 45, regarding interlocks. With respect to making an abbreviated filing under Part 45, MET agrees that the person holding the interlock will file a sworn statement providing the full name and business address of the affected person, as well as a listing of all jurisdictional interlocks, identifying the affected companies and the positions held by that person;
- (f) MET requests blanket approval under Part 34 of the Commission's Regulations of future issuances regarding securities and assumptions of liabilities, subject to objection by an interested party.

VIII. QUARTERLY FILINGS

MET agrees to submit quarterly transaction reports of its purchase and sales transactions, as required by the Commission for other sellers of power at market-based rates. MET agrees to submit such reports even to state that no transactions occurred during the particular calendar quarter.

IX. STATUS CHANGE REPORTING REQUIREMENT

MET agrees to inform the Commission of any departure from the facts relied upon by the Commission in its market analysis, including affiliation with generation or transmission facilities, or an electric utility with a franchised service area. In such notices, MET will discuss whether these changed facts affect MET's authority to charge market-based rates.

X. CONCLUSION

WHEREFORE, MET requests that the Commission act as expeditiously as possible in issuing an order accepting for filing its FERC Electric Tariff No. 1 and granting the waivers and authorizations requested in this Application.

Respectfully submitted,

Debra Raggio Bolton
Mirant Americas, Inc.
901 F Street, N.W., Suite 800
Washington, D.C., 20004
Office: (202) 585-3809
Fax: (648) 578-5942

March 1, 2002

Counsel for Mirant Energy Trading, L.L.C.

Exhibit A
Notice of Filing

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

Mirant Energy Trading, L.L.C.	}	Docket No. ER02-_____
	}	

NOTICE OF FILING

Take notice that on March 1, 2002, Mirant Energy Trading, L.L.C. ("MET") tendered for filing an application for an order accepting its FERC Electric Tariff No. 1, granting certain blanket approvals, including the authority to sell electricity at market-base rates, and waiving certain regulations of the Commission. MET requested expedited Commission consideration. MET requested that its Rate Schedule No. 1 become effective upon the earlier of the date the Commission authorizes market-based rate authority, or March 31, 2002. MET also filed its FERC Electric Tariff No. 1.

Any person desiring to be heard concerning the application for market-based rates should file a motion to intervene or comments with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR §§ 385.211 and 385.214). The Commission will limit its consideration of comments to those that concern the adequacy or accuracy of the application. All such motions and comments should be filed on or before _____ and must be served on the applicant. Any person wishing to become a party must file a motion to intervene. Copies of the filing are on file with the Commission and are available for public inspection.

Magalie Roman Salas
Secretary

Exhibit B

FERC Electric Tariff No. 1

MARKET-BASED RATE TARIFF
OF
MIRANT ENERGY TRADING, L.L.C.
PROVIDING FOR SALES OF CAPACITY, ENERGY AND/OR
ANCILLARY SERVICES AND REASSIGNMENT OF TRANSMISSION RIGHTS

Issued by: Debra Raggio Bolton
Senior Attorney
Issued on: March 1, 2002

Effective: March 31, 2002

**MARKET-BASED RATE TARIFF
OF
MIRANT ENERGY TRADING, L.L.C.
PROVIDING FOR SALES OF CAPACITY, ENERGY AND/OR
ANCILLARY SERVICES AND REASSIGNMENT OF TRANSMISSION RIGHTS**

I. DEFINITIONS

The following words and terms used herein shall be understood to have the following meanings:

1. Buyer: A purchaser of electric capacity, energy and/or ancillary services or resold transmission rights under this Tariff.
2. Commission: The Federal Energy Regulatory Commission or such successor Federal regulatory agency as may have jurisdiction over this Tariff.
3. Parties: The Seller and Buyer that have entered into a service agreement for service pursuant to this Tariff.
4. Seller: Mirant Energy Trading, L.L.C. ("MET").
5. Tariff: This market-based rate tariff, as amended from time to time.
6. Service Agreement: The agreement entered into by Seller and Buyer for Service under this Tariff.
7. Transaction: A particular transaction agreed to by the Parties pursuant to a Service Agreement under this Tariff.

II. APPLICABILITY

This Rate Schedule is applicable to all sales of electric capacity, energy and/or ancillary services by Seller not otherwise subject to a particular rate schedule of Seller.

III. SALES OF ELECTRIC CAPACITY AND ENERGY

Seller may sell electric capacity and/or energy to Buyer under this Tariff from time to time at rates, terms and conditions established by the agreement of the Parties. All such Transactions shall be voluntary.

IV. SALES OF ANCILLARY SERVICES

Seller may sell the following ancillary services to Buyer under this Tariff from time to time at rates, terms and conditions established by the agreement of the Parties:

1. California ISO: For sales of ancillary services made within the portion of the transmission grid controlled by the California Independent System Operator, MET makes available (a) Regulation, (b) Spinning Reserves, (c) Non-Spinning Reserves, and (d) Replacement Reserves (collectively, "California Ancillary Services").
2. ISO New England: For sales of ancillary services made within the portion of the transmission grid controlled by ISO New England, Inc., MET makes available (a) Automatic Generation Control, (b) Ten-Minute Spinning Reserve, (c) Ten-Minute Non-Spinning Reserve, (d) Thirty-Minute Operating Reserve, (e) Operable Capability, and (f) Installed Capability (collectively, "New England Ancillary Services").
3. New York ISO: For sales of ancillary services made within the portion of the transmission grid controlled by the New York Independent System Operator, MET makes available (a) Regulation and Frequency Response, and (b) Operating Reserves (collectively, "New York Ancillary Services").
4. PJM ISO: For sales of ancillary services made within the portion of the transmission grid controlled by the PJM Independent System Operator, MET makes available (a) Energy Imbalance, (b) Regulation, and (c) Operating Reserves (which includes Spinning Reserves, 10-Minute Reserves, and 30-Minute Reserves) (all collectively, "PJM Ancillary Services").
5. Additional Ancillary Services: MET may make sales of additional ancillary services in California ISO, ISO New England, New York ISO and PJM ISO, and in any other geographic markets, to the extent the Commission grants authority on a blanket basis to make sales of any such ancillary services to all persons then authorized to make sales of energy and capacity at market-based rates.
6. Except as provided for in Section IV.1-5 above, sales of ancillary services may include (a) regulation and frequency response service; (b) energy imbalance service; (c) operating reserve-spinning service; and (d) operating reserve-supplemental service, provided that the Seller maintains an Internet-based OASIS-like site that provides information about the Seller and provides for ancillary services Transactions, consistent with the Commission's requirements. Ancillary services are not available under this Tariff in connection with (i) sales to a regional transmission organization ("RTO") such as an independent service operator or a transco, i.e., where the RTO has no ability to self-supply ancillary services but instead depends on third parties; (ii) sales to a traditional franchised

public utility affiliated with MET, or sales where the underlying transmission is on the system of the public utility affiliated with MET; or (iii) sales to a public utility who is purchasing ancillary services to satisfy its own Open Access Transmission Tariff requirements to offer ancillary services to its own customers. All such Transactions shall be voluntary.

V. REASSIGNMENT OF TRANSMISSION RIGHTS

Seller may reassign transmission capacity that it has reserved for its own use at a price not to exceed the highest of (i) the original transmission rate paid by Seller; (ii) the applicable transmission provider's maximum stated firm transmission rate on file at the time of the transmission reassignment; or (iii) Seller's own opportunity costs capped at the applicable transmission provider's cost of expansion at the time of the sale to the eligible customer. Seller will not seek recovery of opportunity costs in connection with reassignments without making a filing under Section 205 of the Federal Power Act. Except for the price and term of reassignment, the terms and conditions under which the reassignment is made shall be the terms and conditions governing the original grant by the transmission provider. Transmission capacity may only be reassigned to a customer eligible to take service under the transmission provider's open access transmission tariff or other transmission rate schedules. Seller will report the name of the assignee in its quarterly reports.

VI. RATES

All sales shall be made at rates established by agreement between the Seller and Buyer.

VII. TRANSMISSION SERVICES

If a Buyer needs transmission services in order to acquire electric energy, capacity, and/or ancillary services under this Tariff, the Buyer will be responsible for acquiring such services from the appropriate utility.

VIII. OTHER TERMS AND CONDITIONS

All other terms and conditions shall be established by agreement between Seller and Buyer.

IX. EFFECTIVE DATE

This Tariff is effective as of the date specified by the Commission.

X. REVISIONS TO THE TARIFF

Seller may file revisions to this Tariff by notifying Buyer in writing and by unilaterally making the appropriate filing with the Commission pursuant to the provisions of Section 205 of the Federal Power Act; provided, however, that such revision shall not affect the rates, terms and conditions of Transactions entered into prior to the date of such revision, unless otherwise agreed by the Parties.

XI. DURATION

This Tariff shall continue in effect until terminated or changed and such termination or change becomes effective in accordance with any applicable regulatory requirements.

**SERVICE AGREEMENT UNDER THE
MARKET-BASED RATE TARIFF OF
MIRANT ENERGY TRADING, L.L.C.
PROVIDING FOR SALES OF CAPACITY, ENERGY AND/OR
ANCILLARY SERVICES AND REASSIGNMENT OF TRANSMISSION RIGHTS**

- 1.0 This Service Agreement, dated as of _____, is entered into by and between Mirant Energy Trading, L.L.C. ("Seller") and _____ ("Buyer").
- 2.0 Seller may provide and Buyer may purchase service from time to time under Seller's FERC Electric Tariff, Original Volume No. 1, as may be amended from time to time.
- 3.0 Terms and conditions for service shall be established by agreement of Seller and Buyer.
- 4.0 Any notice or request made to or by a Party (Seller or Buyer) regarding this Service Agreement shall be made to the representative of the other Party as indicated below:

Seller:

Buyer:

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Mirant Energy Trading, L.L.C.

By: _____ Title: _____ Date: _____

[Insert Buyer Company Name]

By: _____ Title: _____ Date: _____

March 1, 2002

The Hon. Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: *Mirant Energy Trading, L.L.C.*
Docket No. ER02-_____

Dear Ms. Salas:

Please accept for filing in the above-referenced docket an original and 14 copies of the "Application for Acceptance of Initial Rate Schedule, Waivers and Blanket Authority" for Mirant Energy Trading, L.L.C. ("MET"). A diskette containing the Form of Notice is also enclosed as well as two extra copies. Please date/time stamp the extra copies and provide them to the courier in attendance.

Thank you for your attention to this matter.

Sincerely,

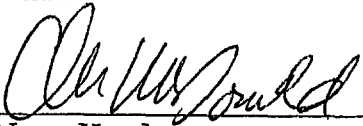
David J. Reich
Manager, Technical & Legal
Analysis
Mirant Americas, Inc.

Enclosures

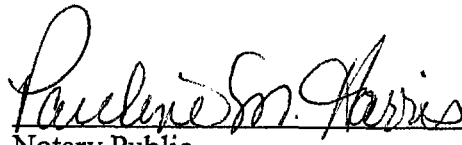
Affidavit

STATE OF Georgia)
COUNTY OF DeKalb)

I, CHRIS McDONALD, being duly sworn hereby attest that I am the authorized representative of the registrant, Mirant Energy Trading, LLC, and that Mirant Energy Trading, LLC is a power marketer doing business in Texas.


[Name Here]
Affiant

Subscribed and sworn to before me, a notary public, the 13th day of June, 2002.


Notary Public

Pauline M. Harris
Notary Printed Name

6/13/02
Date

Notary Public, DeKalb County, Georgia
My Commission Expires Oct. 15, 2002