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Workshop on Best Practices and Approaches in Reliability and Quality of Power



October 7-8, 2014

NARUC/USAID [Regulating Clean Energy International Partnership](#)

Sponsored by the United States Agency for International Development (USAID)

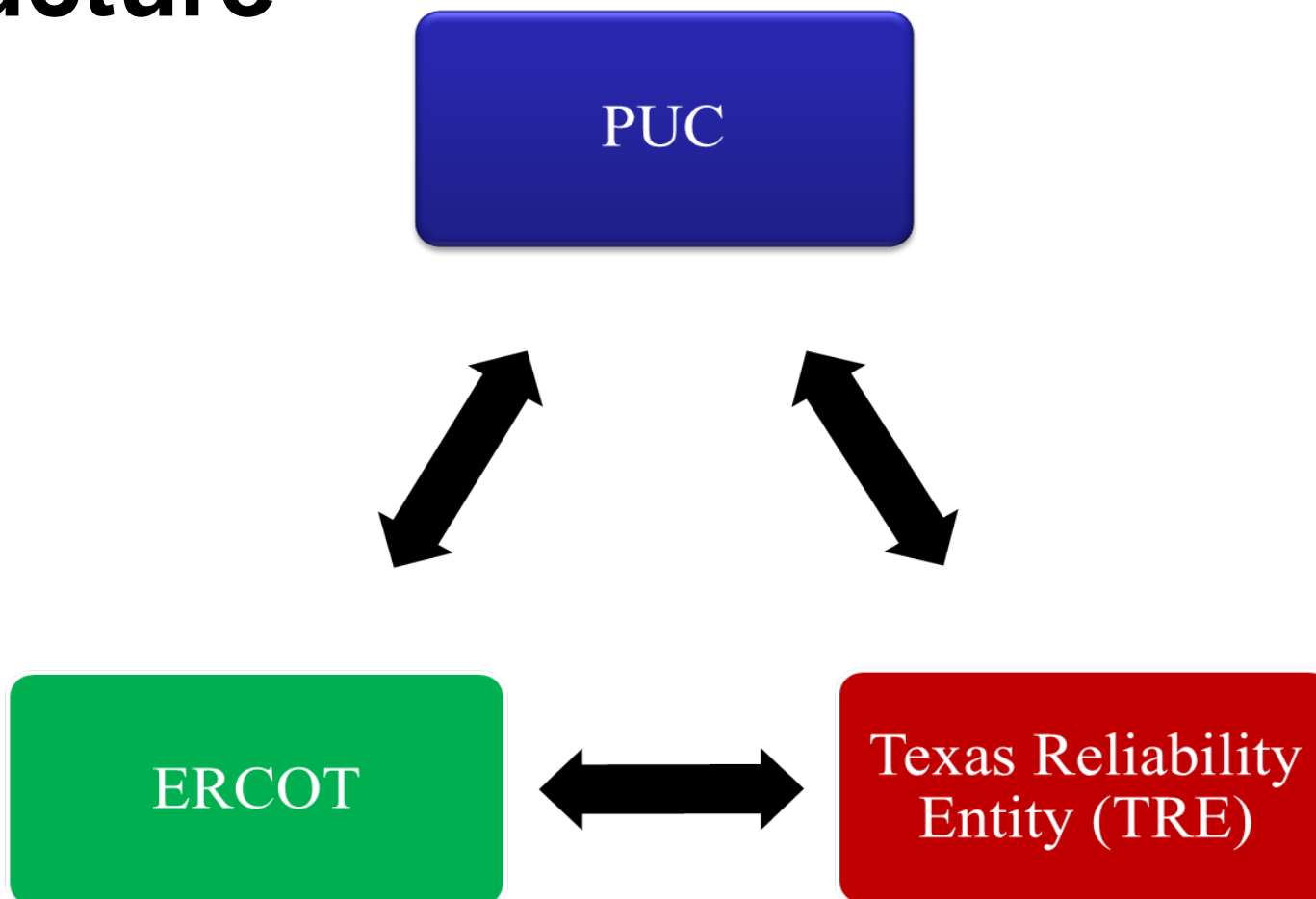


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Structure





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Texas Reliability Entity

- TRE acts as the **Reliability Monitor** for the ERCOT Region and is responsible for monitoring, investigation, auditing and reporting to the PUC regarding compliance with the reliability-related ERCOT Protocols and Operating Guides and the reliability-related provisions of the Public Utility Regulatory Act.
- TRE provides reliability related subject matter advice, expertise, and assistance to the PUC Oversight and Enforcement Division.



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Texas Reliability Entity

- TRE evaluates the operation of the network and wholesale electric system and assists the PUC and ERCOT by developing recommendations for enhancing the reliability and efficiency of the ERCOT network and operated systems.
- The current contract extension provides for ERCOT to pay \$1,059,868 for 2014 and \$1,091,668 for 2015. Other expenses may be paid by ERCOT and the cost of the total contract is limited to \$5,624,740 for 2014 and 2015.



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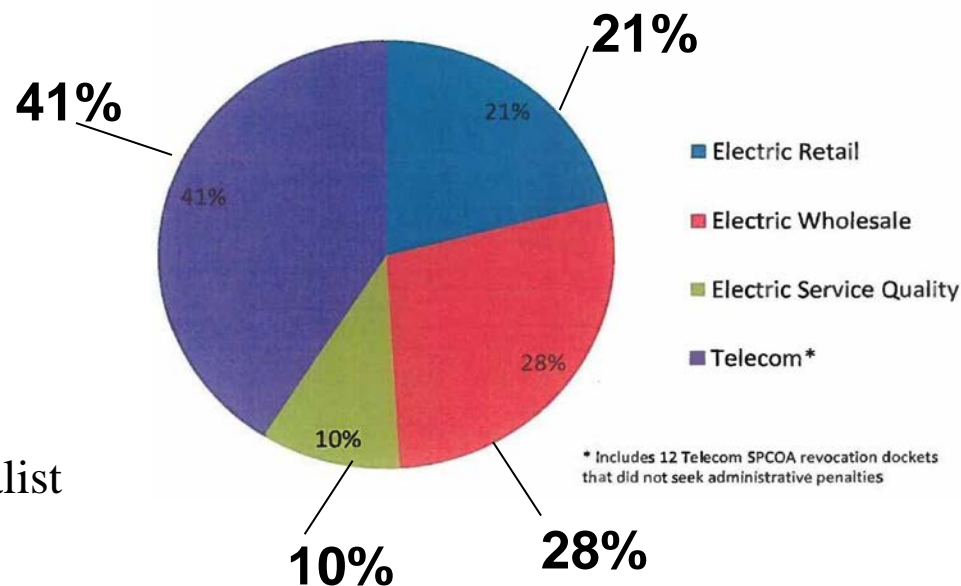


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O&E Division

- The goal of the PUC O&E is to ensure compliance with Public Utility Regulatory Act (PURA), PUC Substantive Rules, and ERCOT Protocols in order to protect customers, oversee markets, and ensure reliability.
- This program is accomplished through investigations and, when appropriate, subsequent enforcement actions.
- Subsequent enforcement actions include administrative penalties, disgorgement, and revocation.
- Employees:
 - Director
 - 4 attorneys
 - 4 analysts
 - 2 administrative staff
 - 1 rotating customer protection specialist

Percentage of Total Docketed Cases by Violation Type
Fiscal Year 2013





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Assignments

Oversight and Enforcement Cases

	A	B	C	D	E	F	G	H	I
1	Billing	SIR No	Company	Inv Type	Inv Category	Attorney	Analyst	Attorney Notes	Analyst Notes
6		2012100004	XXXX	Wholesale	EILS	KVZ	EG	Agreed to 50k; Need to check in by 9/11	Atty working on SA 6/19/14
7	32128	2012100005	XXXX	Wholesale	Ancillary Svcs	KVZ	EG	Agreed to 50k; Need to check in by 9/10	Atty working on SA 6/19/14
8	32133	2012110003	XXXX	No Call	Telecom	KVZ	EG	working on closing	to be closed.
9	32131	2012110004	XXXX	No Call	Telecom	KVZ	EG	Working on closing	Closing ltr to kvz 1/18/14
10	32131	2012110005	XXXX	No Call	Telecom	KVZ	EG	Working on closing	To be closed .
11	32128	2012120036	XXXX	Wholesale		KVZ	EG	Working on Settlement	Open Ltr with penalty to KVZ 5/2013. Ltr sent to X 6/13/2013, Met with X counter was 19k
13	32127	2014020003	XXXX	Retail	Other	KVZ	EG	Heard from X: need to respond by 9/5	PreNov to KVZ 5/2/14 - sent 7/25
14	32127	2014020004	XXXX	Retail	Other	KVZ	EG	Counter from X: need to get back to him by 9/5	PreNOV 7/25 to Cntrpt
19	32126	2014020010	XXXX	Svc. Quality	Electric	KVZ	EG	Meeting on 9/8/14	Meeting set for 10/2/14
28	32128	2014070004	XXXX	Wholesale Electric	Ancillary Services	KVZ	EG	PreNOV sent to PFR group 9/3	PreNOV to KVZ 7/31/14, open ltr ready sent 8/5/2014 to KVZ
29	32128	2014080004	XXXX	Wholesale	Ancillary	KVZ	EG		Sent to KVZ Pre-Nov 9/6/14
31	32127	2014030002	XXXX	Retail	Complaints	KVZ	EG; HK; CC	Bringing CC and HK onboard	PreNOV to KVZ 5/13
38	32127	2013070002	XXXX	Retail	Other	KVZ	NF	Closing Memo Sent to ED and DED Friday 8-29-14	
39	32127	2013070004	XXXX	Retail	Other	KVZ	NF	on hold til JW returns	
40	32127	2013120011	XXXX	Reporting	Electric	KVZ	NF	RFIs sent 8/27	Received RFIs from X 9/26.
54	32128	2014020002	XXXX	Wholesale	Other	KVZ	RK	PFR from TRE	PFR from TRE
55	32132	2014040004	XXXX	Regulated Issues	Telecom	KVZ	RK	Phone call on 8/28/14; need to talk with RK and get back to them 9/11	
57	32128	2014070005	XXXX	Wholesale Electric	Ancillary Services	KVZ	RK		

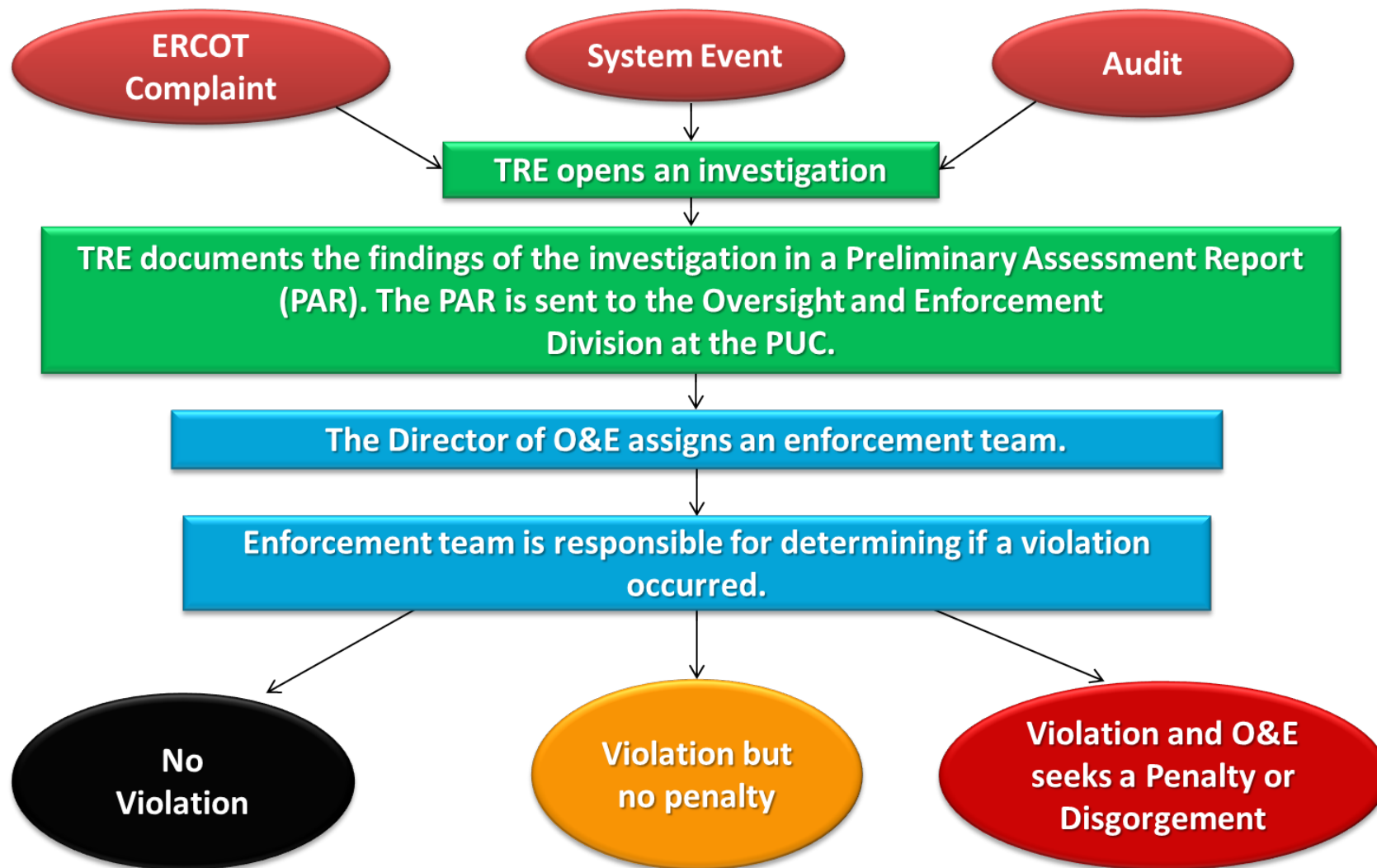


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Reliability Investigations





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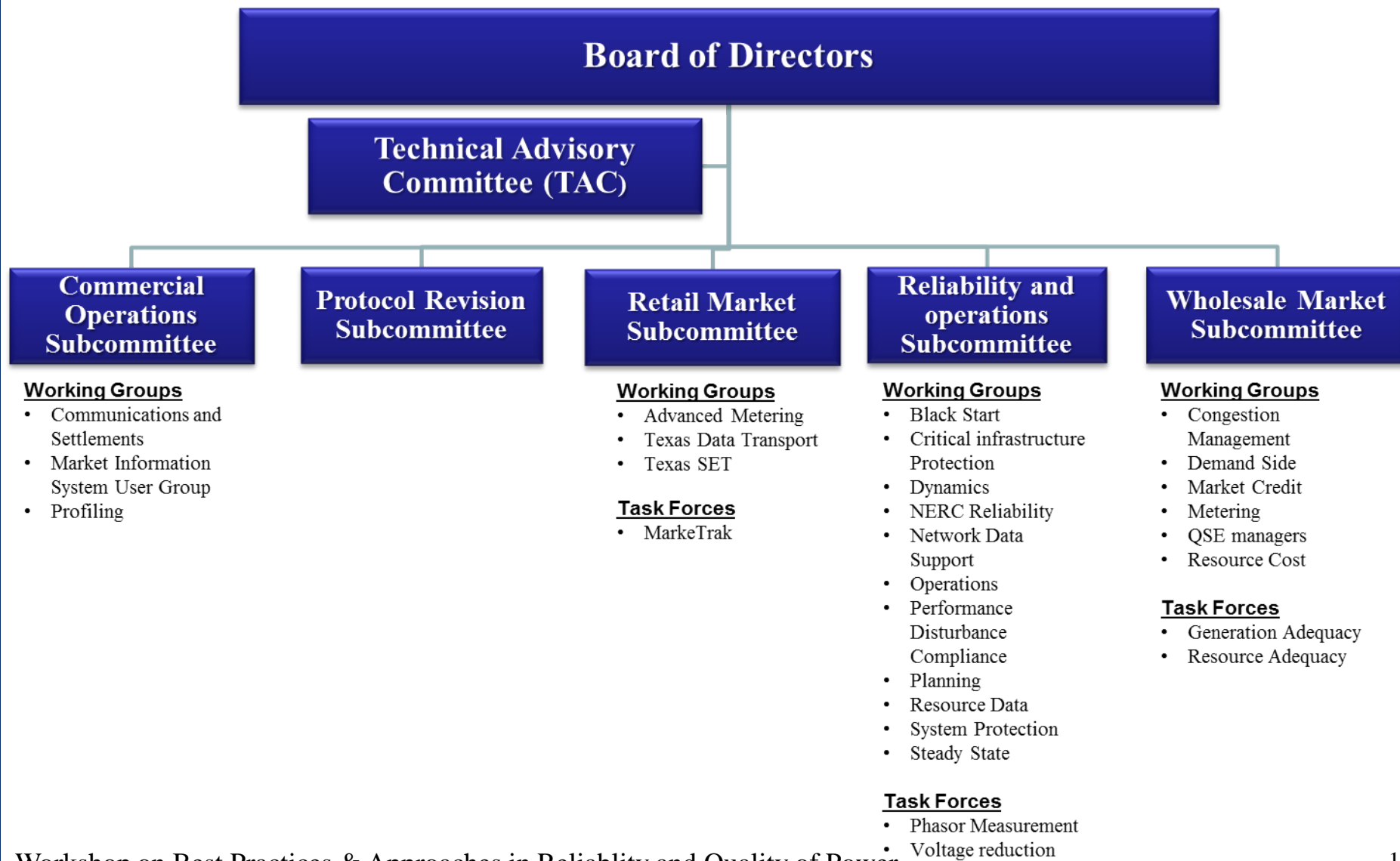
ERCOT Stakeholder Process



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PUC Oversight of ERCOT Protocols

- Oversight of the ISO: P.U.C. Proc. R. 22.251 provides a procedure for review of the ISO's conduct, including the adoption of a Protocol.
- Oversight of Market Participants: PURA § 39.151(j) mandates that market participants “shall observe all scheduling, operating, planning, reliability, and settlement policies, rules, guidelines, and procedures established by the independent system operator in ERCOT. Failure to comply with this subsection may result in the revocation, suspension, or amendment of a certificate as provided by Section 39.356 or in the imposition of an administrative penalty as provided by Section 39.357.”



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Administrative Penalties

- PURA 15.023 proscribed 6 factors that must be considered when assessing an administrative penalty:
 1. the seriousness of the violation
 2. the economic harm
 3. the history of previous violations
 4. the amount necessary to deter future violations
 5. efforts to correct the violation
 6. any other matters that justice may require
- PURA 15.023 also required the commission to establish a classification system for violations and limited the maximum penalty amount to \$25,000.
- The legislature recently added the power to order disgorgement of excess revenue and issue a cease and desist order.



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Penalty Classifications

- **Class C violations:** may not exceed \$1,000 per violation per day.
- The following violations are Class C violations:
 - (i) failure to file a report or provide information required to be submitted to the commission under this chapter within the timeline required;
 - (ii) failure by an electric utility, retail electric provider, or aggregator to investigate a customer complaint and appropriately report the results within the timeline required;
 - (iii) failure to update information relating to a registration or certificate by the commission within the timeline required; and
 - (iv) a violation of the Electric no-call list.
- **Class B violations:** may not exceed \$5,000 per violation per day.
- All violations not specifically enumerated as a Class C or Class A violation shall be considered Class B violations.



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Penalty Classifications *cont.*

- **Class A violations:** may not exceed \$25,000 per violation per day.
- The following types of violations are Class A violations if they create economic harm in excess of \$5,000 to a person or persons, property, or the environment, or create an economic benefit to the violator in excess of \$5,000; create a hazard or potential hazard to the health or safety of the public; or cause a risk to the reliability of a transmission or distribution system or a portion thereof.
 - **(i) A violation related to the wholesale electric market, including protocols and other requirements established by an independent organization;**
 - **(ii) A violation related to electric service quality standards or reliability standards established by the commission or an independent organization;**
 - (iii) A violation related to the code of conduct between electric utilities and their competitive affiliates;
 - (iv) A violation related to prohibited discrimination in the provision of electric service;
 - (v) A violation related to improper disconnection of electric service;
 - (vi) A violation related to fraudulent, unfair, misleading, deceptive, or anticompetitive business practices;



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Penalty Classifications *cont.*

- (vii) Conducting business subject to the jurisdiction of the commission without proper commission authorization, registration, licensing, or certification;
- **(viii) A violation committed by ERCOT;**
- (ix) A violation not otherwise enumerated in this paragraph (3)(B) of this subsection that creates a hazard or potential hazard to the health or safety of the public;
- (x) A violation not otherwise enumerated in this paragraph (3)(B) of this subsection that creates economic harm to a person or persons, property, or the environment in excess of \$5,000, or creates an economic benefit to the violator in excess of \$5,000; and
- **(xi) A violation not otherwise enumerated in this paragraph (3)(B) of this subsection that causes a risk to the reliability of a transmission or distribution system or a portion thereof.**



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Electric Service Quality Penalty Matrix



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Reporting Utility:

Report Year: 2013

Electric Service Quality Enforcement - Matrix of Recommended Penalty For Settlement Purposes						Penalty
System-wide Violation						
Violation of system-wide SAIDI standard for current reporting year, annual (Subst. R. 25.52(g)(1)(B))	Annual value is more than 5% above standard	Annual value is 10% above standard	Annual value is 15% above standard	Annual value is 20% above standard	Annual value is 25% or more above standard	
Penalty	\$1,000	\$2,000	\$4,000	\$8,000	\$16,000	
Number						
Additional penalty for violation of system-wide SAIDI standard, consecutive years (Subst. R. 25.52(g)(1)(B))*	Annual value is more than 5% above standard for two or more years in a row	Annual value is 10% above standard for two or more years in a row	Annual value is 15% above standard for two or more years in a row	Annual value is 20% above standard for two or more years in a row	Annual value is 25% or more above standard for two or more years in a row	
Penalty	\$2,000	\$4,000	\$8,000	\$16,000	\$25,000	
Number						
Violation of system-wide SAIFI standard for current reporting year, annual (Subst. R. 25.52(g)(1)(A))	Annual value is more than 5% above standard	Annual value is 10% above standard	Annual value is 15% above standard	Annual value is 20% above standard	Annual value is 25% or more above standard	
Penalty	\$1,000	\$2,000	\$4,000	\$8,000	\$16,000	
Number						
Additional penalty for violation of system-wide SAIFI standard, consecutive years (Subst. R. 25.52(g)(1)(A))*	Annual value is more than 5% above standard for two or more years in a row	Annual value is 10% above standard for two or more years in a row	Annual value is 15% above standard for two or more years in a row	Annual value is 20% above standard for two or more years in a row	Annual value is 25% or more above standard for two or more years in a row	
Penalty	\$2,000	\$4,000	\$8,000	\$16,000	\$25,000	
Number						
* The sum of the primary penalty and additional penalty should not exceed \$25,000 for a single violation.						
Per Feeder Violation						Penalty
Violation of feeder having a SAIDI value more than 300% greater than system average for two consecutive years (Subst. R. 25.52 (g)(2)**)	For single feeders in violation of rule 1st year	For single feeders in violation of rule 2 years in a row	For single feeders in violation of rule 3 years in a row	For single feeders in violation of rule 4 years in a row	For single feeders in violation of rule 5 or more consecutive years	
Penalty	\$2,000 per feeder	\$5,000 per feeder	\$12,000 per feeder	\$20,000 per feeder	\$25,000 per feeder	
Number						
Amount						
Violation of feeder having a SAIFI value more than 300% greater than system average for two consecutive years (Subst. R. 25.52 (g)(2)**)	For single feeders in violation of rule 1st year	For single feeders in violation of rule 2 years in a row	For single feeders in violation of rule 3 years in a row	For single feeders in violation of rule 4 years in a row	For single feeders in violation of rule 5 or more consecutive years	
Penalty	\$2,000 per feeder	\$5,000 per feeder	\$12,000 per feeder	\$20,000 per feeder	\$25,000 per feeder	
Number						
Amount						
TOTAL						\$ -

** For purposes of these entries, only feeders with ten or more customers are considered.



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Previous Electric Service Quality Penalty Matrix



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Reporting Utility:

Report Year: 2012

Electric Service Quality Enforcement - Matrix of Recommended Penalty For Settlement Purposes							
System-wide Violation							Penalty
Violation of system-wide SAIDI standard for current reporting year, annual (Subst. R. 25.52(g)(1)(B))	Annual value is more than 5% above standard	Annual value is 10% above standard	Annual value is 15% above standard	Annual value is 20% above standard	Annual value is 25% or more above standard	Annual value is 30% or more above standard	
Penalty Number	\$500	\$1,000	\$2,000	\$4,000	\$8,000	\$16,000	
Additional penalty for violation of system-wide SAIDI standard, consecutive years (Subst. R. 25.52(g)(1)(B))*	Annual value is more than 5% above standard for two or more years in a row	Annual value is 10% above standard for two or more years in a row	Annual value is 15% above standard for two or more years in a row	Annual value is 20% above standard for two or more years in a row	Annual value is 25% or more above standard for two or more years in a row	Annual value is more than 30% or more above standard for two or more years in a row	
Penalty Number	\$1,000	\$2,000	\$4,000	\$8,000	\$16,000	\$25,000	
Violation of system-wide SAIFI standard for current reporting year, annual (Subst. R. 25.52(g)(1)(A))	Annual value is more than 5% above standard	Annual value is 10% above standard	Annual value is 15% above standard	Annual value is 20% above standard	Annual value is 25% or more above standard	Annual value is 30% or more above standard	
Penalty Number	\$500	\$1,000	\$2,000	\$4,000	\$8,000	\$16,000	
Additional penalty for violation of system-wide SAIFI standard, consecutive years (Subst. R. 25.52(g)(1)(A))*	Annual value is more than 5% above standard for two or more years in a row	Annual value is 10% above standard for two or more years in a row	Annual value is 15% above standard for two or more years in a row	Annual value is 20% above standard for two or more years in a row	Annual value is 25% or more above standard for two or more years in a row	Annual value is more than 30% or more above standard for two or more years in a row	
Penalty Number	\$1,000	\$2,000	\$4,000	\$8,000	\$16,000	\$25,000	\$ 2,000
* The sum of the primary penalty and additional penalty should not exceed \$25,000 for a single violation.							
Per Feeder Violation							Penalty
Violation of feeder having a SAIDI value more than 300% greater than system average for two consecutive years (Subst. R. 25.52(g)(2))	For single feeders in violation of rule 1st year	For single feeders in violation of rule 2 years in a row	For single feeders in violation of rule 3 years in a row	For single feeders in violation of rule 4 years in a row	For single feeders in violation of rule 5 or more consecutive years		
Penalty Number	\$1,000 per feeder	\$2,500 per feeder	\$9,000 per feeder	\$16,000 per feeder	\$25,000 per feeder		
Violation of feeder having a SAIFI value more than 300% greater than system average for two consecutive years (Subst. R. 25.52(g)(2))	For single feeders in violation of rule 1st year	For single feeders in violation of rule 2 years in a row	For single feeders in violation of rule 3 years in a row	For single feeders in violation of rule 4 years in a row	For single feeders in violation of rule 5 or more consecutive years		
Penalty Number	\$1,000 per feeder	\$2,500 per feeder	\$9,000 per feeder	\$16,000 per feeder	\$25,000 per feeder		
					TOTAL		
** For purposes of these entries, only feeders with ten or more customers are considered.							