

# Austin Energy Reliability Compliance

**Electric Utility Commission  
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Presented by:

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## **2003 Blackout – Aftermath**

- **Congress Responds:**
  - **2005 - Electricity Modernization Act of 2005**
    - **Gave FERC new and broad jurisdiction over reliability of bulk electric system**
    - **Texas becomes subject to federal standards**



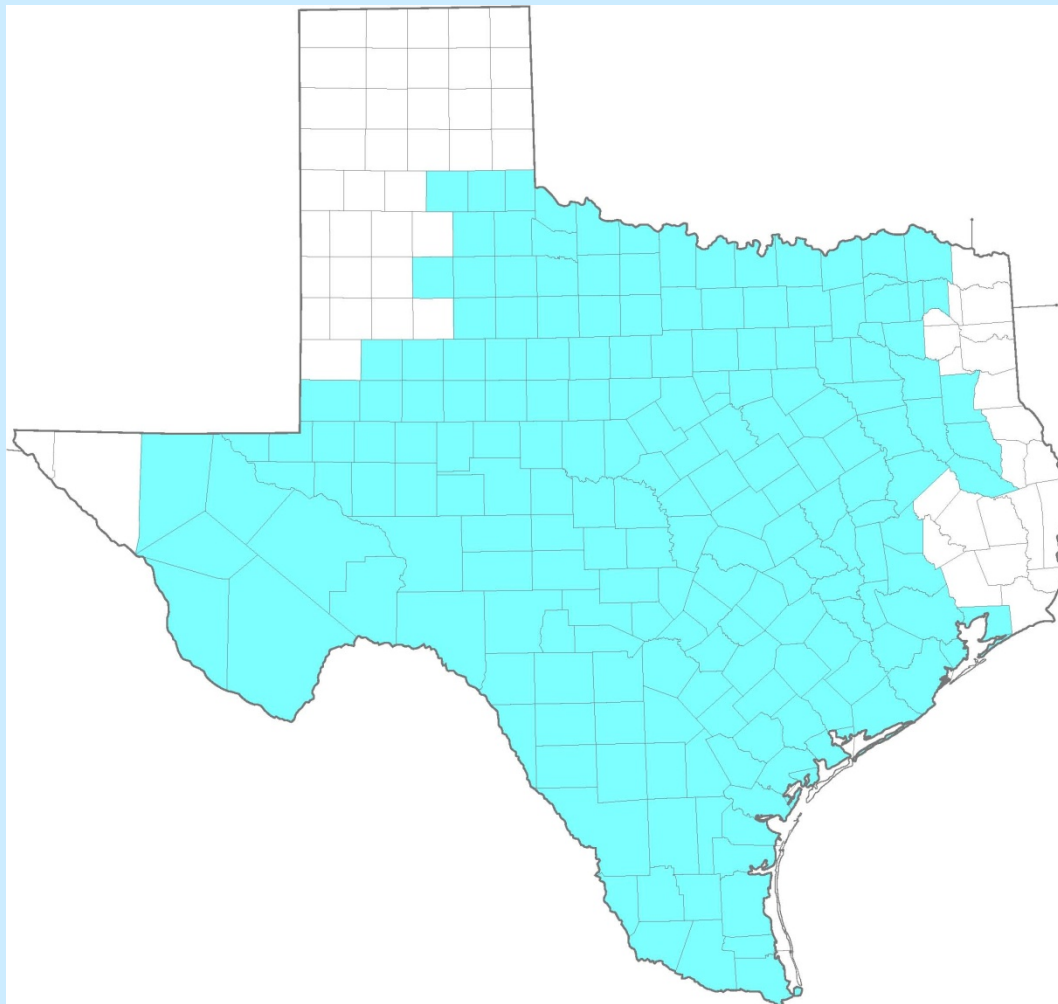


## Energy Policy Act of 2005 (EPAct)

- Applies to users/owners/operators of “bulk-power grid”
- Requires FERC to certify an Electric Reliability Organization (ERO)
- ERO:
  - *Proposes new federal Reliability Standards*
  - *Monitors & enforces Reliability Standards*
- NERC named ERO
- Texas Reliability Entity (Texas RE) for Texas



## Texas RE Geographic Area





## Key Events



- **July 2006 - FERC certifies NERC as ERO**
- **April 2007 - FERC approves NERC-Texas RE Delegation Agreement**
- **June 2007 - First mandatory Reliability Standards**
  - **Penalties attached**





# Reliability Standards

Reliability Standards create hundreds of requirements and sub-requirements to which AE must comply

## Areas Covered

- ▶ Resource and Demand Balancing (BAL)
- ▶ Critical Infrastructure Protection (CIP)
- ▶ Communications (COM)
- ▶ Emergency Preparedness and Operations (EOP)
- ▶ Facilities Design, Connections and Maintenance (FAC)
- ▶ Interchange Scheduling and Coordination (INT)
- ▶ Interconnection Reliability Operations and Coordination (IRO)
- ▶ Personnel Performance, Training and Qualification (PER)
- ▶ Modeling, Data and Analysis (MOD)
- ▶ Organization Certification (ORG)
- ▶ Transmission Operations (TOP)
- ▶ Transmission Planning (TPL)
- ▶ Nuclear (NUC)
- ▶ Protection and Control (PRC)
- ▶ Voltage and Reactive (VAR)



## **Texas RE Duties**

### **Compliance Monitoring and Enforcement**

- **Audits of Registered Entities for Standards Compliance**
  - **AE → Three Year Cycle**
  - **AE Transmission functions 8/24/10, 8/30/10, 9/15/10**
- **Spot checks for compliance (whenever)**
- **Self-reporting of potential violations**
- **Periodic submission of data**
- **Responding to complaints**
- **Self-certification of compliance (periodic)**
- **Provides an investigative process to determine merits of potential violations**
- **Coordinated with NERC**

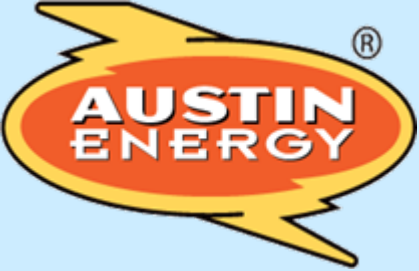


## Enforcement Process

- If Texas RE determines a violation occurred:
  - Notice of Violation
  - Opportunity to Respond
  - Settlement Discussions
- If no settlement is reached:
  - Hearing before PUCT
  - PUCT makes *recommendation*
  - CCO makes final determination
- If unhappy with outcome:
  - Appeal to NERC, then to FERC
  - District Court



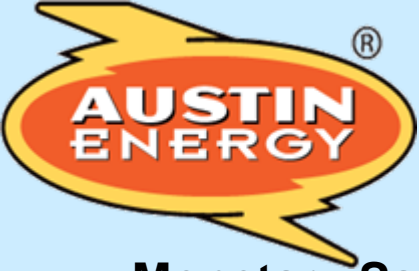




## Possible Outcomes

- Remedial Action Directives
  - “Cease and Desist”
- Mitigation Plans
  - Specific requirements of plans
  - “Reasonable” timetables
  - Review and approval at region
  - Report of completion
- Monetary Sanctions





## Possible Outcomes (cont'd)

### Monetary Sanctions

- Standards have “Violation Risk Factor” (VRF)
  - Assessed before a violation (matrix)
- Violations are assigned a “Violation Severity Level”
  - How badly you violated a Standard
- Additional Factors:
  - “First Violation” Discretion
  - Consider time horizon
  - Repetition
  - Failure to comply with compliance directives
  - Self-disclosure and voluntary corrective action
  - Cooperation in investigation
  - Presence and quality of violator’s compliance program
  - Attempts to conceal
  - Intentional violations
  - Extenuating circumstances





## Monetary Sanctions/Fines

- Most have been modest (Thousands/Tens-of-Thousands)
- Largest = \$25 million (FPL)
- Other Significant Fines ( $\geq$  \$100,000)
  - \$290,000 (PPL Electric Utilities)
  - \$250,000 (New York State Electric and Gas)
  - \$250,000 (FPL)
  - \$225,000 (LADWP)
  - \$225,000 (Commonwealth Edison)
  - \$180,000 (Baltimore Gas & Electric)
  - \$160,000 (City of Cleveland)
  - \$150,000 (Entergy)
  - \$140,000 (Calpine)
  - \$137,500 (NextEra Energy Resources)
  - \$115,000 (E. ON US Services)
  - \$100,000 (Duke Energy Corp.)
  - \$100,000 (VEPCO)
  - \$100,000 (Georgia Power)





## Compliance Office

- Compliance Office Role at AE
  - Compliance Office is **not** responsible for compliance and will not **do** the work to ensure compliance (we don't trim trees, test relays, *etc.*)
    - *Assist* with compliance activities
    - Resource/Shepherd/Coordinate
  - Develop/Maintain AE-wide Compliance Program
  - Develop/update AE-wide policies/procedures
    - Policy = aspirational ("AE will....")
    - Procedure = step by step (must match *practice*)
  - Spot checks/mock audits



## Compliance Office

- Compliance Office Role at AE (cont'd)
  - Assist in audit prep, evidence creation/maintenance, repository
    - “If it’s not documented, it didn’t happen.”
  - Interface with regulators
    - Attend compliance-related meetings at Texas RE, NERC and FERC
    - Allows us to provide advice/insight
  - Training
    - NERC Requirements
    - Industry best practices
  - File certain reports with Texas RE/NERC
  - ERCOT Protocols/Operating Guides



Questions?