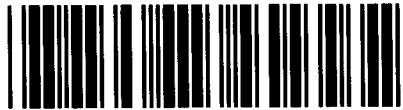




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PROJECT NO. 39160

RULEMAKING PROCEEDING
RELATING TO EMERGENCY
OPERATIONS

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ERCOT COMMENTS ON STRAWMAN RULE AMENDMENTS

The Electric Reliability Council of Texas, Inc. (ERCOT) submits these comments concerning Commission Staff's strawman amendments to P.U.C. Substantive Rules 25.53 and 25.362. ERCOT supports the Commission's efforts to provide greater clarity to the content requirements for Emergency Operations Plans and ERCOT's annual Operations Report. These comments propose several further revisions to the Operations Report requirement to ensure that the information ERCOT provides the Commission is useful and accurate.

I. ERCOT recommends that the Commission codify ERCOT's current approach to assessing weatherization and provide more explicit authorization to conduct generator site visits and obtain water supply information.

In February 2011, the Commission amended Rule 25.362 to require ERCOT to provide, as part of its annual Operations Report, "an assessment of the reliability and adequacy of the ERCOT system during extremely cold or hot weather conditions, including information regarding steps to be taken by power generation companies and utilities to prepare their assets for extreme weather events." P.U.C. Subst. R. 25.362(i)(2)(H). In order to provide this report, and to promote good weatherization practices among its generators, ERCOT and its stakeholders have developed a process that requires generators to certify weatherization preparations before each season subject to ERCOT's verification. ERCOT believes this process is both an effective and efficient

means of promoting generator weatherization and requests that the Commission codify this practice in the ERCOT Governance rule.

For each of the past two years following the adoption of the extreme weather reliability assessment, ERCOT has complied with these obligations by providing two Seasonal Assessments of Resource Adequacy (SARA)—one for each of the preceding summer and winter seasons. The SARA reflects a short-range forecast of resource adequacy (i.e., expected reserve margins) for each upcoming summer or winter season. This report differs from longer-term forecasts such as the Capacity, Demand, and Reserves (CDR) Report in that it includes more specific information about the upcoming season such as expected outages and weather forecasts. The SARA not only provides an analysis of resource adequacy under the most likely conditions, but also considers an “extreme load” scenario—reflecting what might be observed during periods of extremely hot or cold weather—as well as an “extreme outage” scenario. In this way, ERCOT provides the Commission (and the public) with its best estimate of the reserves likely to be available under extreme conditions, whether caused by weather or other factors.

In addition to providing the two preceding SARA reports each year, and in direct response to the events of February 2, 2011, ERCOT has developed a practice of conducting visits to approximately 40 generation plants each winter to ensure that the plant operators are following their written weatherization plans. Before visiting each site, ERCOT personnel review the plant’s weatherization plan to familiarize themselves with the equipment and processes that need to be evaluated. Upon evaluating the plant operator’s adherence to its weatherization plan, ERCOT provides the operator with a written assessment based on this review. Where discrepancies between the

weatherization plan and site practices or equipment have been noted, ERCOT has conducted follow-up visits to ensure any problems are remedied. ERCOT's Operations Report has included a summary of its conclusions from these visits.

In December 2012, the ERCOT Board approved Nodal Protocol Revision Request (NPRR) 473, which formalized the process for generators to submit Emergency Operations Plans, weatherization plans, and plan updates to ERCOT. NPRR 473 also required each generator to submit a semiannual declaration to ERCOT—once before each summer and winter season—certifying compliance with the plans and processes in the generator's weatherization plan. ERCOT submits a report to the Commission each January and July reporting any Resource Entities that fail to submit a properly completed weatherization declaration.

In addition to requiring submission of weatherization plans and declarations, ERCOT has also requested that generators provide information regarding water supplies in order to better evaluate the system's exposure to drought risk. ERCOT expects to include this information in future SARAs beginning as early as late next year.

ERCOT believes this general approach to weatherization—collecting weatherization plans and declarations, obtaining water supply information, conducting site visits, and ultimately, submitting the SARA reports—provides the Commission with the best information about reliability in extreme weather conditions in the short term and ensures that generators continue to keep weatherization preparations in mind without imposing overly restrictive requirements that ignore plant operators' superior knowledge of their units. ERCOT therefore requests that the Commission consider codifying this process in this rulemaking. In ERCOT's view, capturing this process would require

nothing more than the addition of explicit language authorizing ERCOT to conduct generator site visits and to obtain water supply information from generators. While ERCOT believes these activities are already implicitly authorized (and no one has questioned this authority to date), an express authorization in this rule would foreclose any question that could possibly arise in the future.

ERCOT therefore recommends the following revisions to the proposed language of Section 25.362(i)(2):

- (H) An assessment of the reliability and adequacy of the ERCOT system during extremely cold or extremely hot weather conditions or drought, for which purpose ERCOT has the right, upon reasonable notice, to conduct generator site visits to review compliance with weatherization plans and has the right to obtain from generators any information concerning water supplies for generation purposes, including contracts, water rights, and other information; and, including information regarding steps to be taken by power generation companies and utilities to prepare their assets for extreme weather events; and information regarding weather design limits and critical failure points;
- ~~(I) An assessment of the reliability and adequacy of the ERCOT system during drought, including information regarding steps to be taken by power generation companies and utilities to ensure adequate cooling water for generation facilities; and~~
- (H) Identification of existing and potential transmission constraints, and the need for additional transmission, generation or demand response resources within the ERCOT region. The report shall include projections of changes in demand, the capability of generation, energy storage, and demand response resources, projected reserve margins, alternatives for meeting system needs, and recommendations for meeting system needs.

II. Proposed 25.362(i)(2)(H): ERCOT recommends that the Commission remove the proposed requirements to provide information on generator “weather design limits” and “critical failure points.”

The proposed amendments to Rule 25.362 would require that ERCOT add to its annual extreme weather reliability assessment “information regarding weather design limits and critical failures points.” Based on conversations with Commission Staff, ERCOT understands this new language to require two things: (1) a summary of generator weather design limit data (submitted either confidentially or in aggregated form) and (2)

a listing of important plant components that may be vulnerable to failure during extreme weather events. ERCOT has concerns with each of these proposals.

A. Weather Design Limits

ERCOT questions the value of providing aggregated information on generator operating limits when ERCOT's collection of such information is incomplete and when any conclusions drawn from such data are likely to be unreliable. At the urging of the Texas Reliability Entity, ERCOT has recently requested that generators provide, through the Resource Asset Registration Form, information on maximum and minimum ambient operating temperatures and expected plant de-ratings at various temperatures. Only a minority of generators have been able to provide the requested information because many manufacturers do not provide this data or did not provide that data at the time the plant was constructed.

For those generators that have been able to provide the requested data, the specified maximum and minimum temperatures most often represent only some point above or below which the generator is no longer warranted to operate reliably or at rated capacity; those temperatures do not necessarily reflect the *actual* operating limits of the plant, which would be essential to drawing any conclusion about grid reliability during extreme temperatures. Actual operating limits at any given temperature are virtually impossible to know, as they would depend on a number of highly variable and unpredictable factors other than the instantaneous ambient temperature such as wind speed at the plant location, duration of the extreme temperatures, and the operating status of the plant during the time in question.

The predictive value of the manufacturer-provided limits is further undermined by the fact that many of the plant failures observed on February 2-3, 2011 occurred within the stated minimum temperature limits. Manufacturer-specified limits cannot account for a plant operator's failure to address each of the plant's many potential extreme weather vulnerabilities (such as exposed sensing lines or water lines, as observed in February 2011). Based on ERCOT's experience in 2011, it cannot be safely assumed that all possible plant vulnerabilities have been addressed.

For these reasons, ERCOT believes that submitting, as part of its extreme weather assessment, the limited information it does maintain about generator weather design limits is not likely to be helpful and could potentially be misleading to those who may choose to review it.

B. Critical Failure Points

ERCOT agrees that generator knowledge of weather vulnerabilities is critical to system reliability, and sharing information about common generator problems experienced during extreme weather (including information about equipment that is generally expected to be vulnerable) would be useful to this end. However, ERCOT itself possesses no particular expertise in this area, as its historical role does not include managing internal power plant operations. What particular pieces of plant equipment may be deemed "critical failure points" at any given plant is largely a matter of the details of a plant's design, and ERCOT lacks the requisite familiarity with this design to provide any useful general recommendation on vulnerabilities. ERCOT therefore suggests striking this requirement.

If the Commission believes that, notwithstanding ERCOT's lack of expertise, a publicly posted list of equipment failures commonly observed during some particular extreme weather event (such as the February 2011 event) would be helpful, ERCOT believes that including this information through some means other than its annual Operations Report would be preferable. The Operations Report is submitted to the Commission, not generators, and while it is publicly available, there is no requirement that generators review it.

Information about common problems has previously been shared with generator owners in the FERC/NERC report on the February 2011 outages¹ and has been discussed at ERCOT-sponsored workshops and seminars, a FERC conference on ERCOT weatherization in 2012, ERCOT operator seminars, and most recently, a TRE workshop on weatherization. Compared to these other media, ERCOT believes that its annual Operations Report provides a far less effective means of communicating this information to generators. ERCOT suggests that this information could just as easily be posted to the ERCOT website (or the websites of the PUC or Texas Reliability Entity, for that matter), where it could be more readily accessed by generators at any time. If the Commission decides that this information should be provided, that a web posting is an appropriate alternative, and that the ERCOT website is the most appropriate location for this posting, ERCOT suggests that this requirement might be imposed in a new paragraph in Rule 25.362 or elsewhere in the Commission's rules.

ERCOT also notes that existing language in the rule requires ERCOT's extreme weather assessment to include "information regarding steps to be taken by power

¹ The FERC/NERC "Report on Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011" is available at <http://www.ferc.gov/legal/staff-reports/08-16-11-report.pdf>.

generation companies and utilities to prepare their assets for extreme weather events” For the same reasons that ERCOT recommends deleting the proposed language on weather design limits and critical failure points—namely, that ERCOT lacks relevant expertise and that the proposed information is only submitted to the Commission—ERCOT also suggests that the Commission reconsider whether this existing obligation is reasonably placed on ERCOT.² ERCOT’s proposed language would remove this obligation.

III. Proposed 25.362(i)(2)(I): ERCOT recommends that the Commission remove the requirement that ERCOT provide information on steps to ensure adequate cooling water.

The Commission’s strawman proposes that ERCOT’s annual Operations Report also include an assessment of system reliability during drought. ERCOT agrees that this proposal is a useful addition; in fact, ERCOT expects to add a drought-sensitivity analysis to its Seasonal Assessment of Resource Adequacy within the next year. ERCOT’s proposed language retains this proposed obligation.

ERCOT does not, however, support the proposed language in this provision that would require ERCOT to provide “information regarding steps to be taken by power generation companies and utilities to ensure adequate cooling water for generation facilities.” ERCOT does not possess any particular expertise on steps that generators can take to ensure adequate supplies of cooling water. The availability of water is largely determined by the specific terms of a generator’s water supply contracts, its water rights under state law, and the geographical location of the plant. The plant operator (or owner)


² ERCOT would note that this language was not included in the Proposal for Publication of the proposed amendments to Rule 25.362 in the previous rulemaking affecting this section and was not otherwise subject to a formal comment process before it was adopted by the Commission at its Open Meeting in late February 2011. See Project 38338, *Rulemaking Relating to the Accountability and Performance of the Electric Reliability Council of Texas*.

should generally be expected to be much more familiar with these issues than ERCOT. While ERCOT can describe the possible impacts of extreme drought in its overall system reliability assessment, it would be unable to provide useful plant-specific recommendations in avoiding or addressing water shortages. ERCOT therefore recommends removing the requirement to include this information in its Operations Report.

IV. Conclusion

ERCOT appreciates the opportunity to submit these comments on the Commission's strawman rule amendments. ERCOT looks forward to working with Commission Staff and other interested parties in this project to develop appropriate rule language.

Respectfully submitted,

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