



ERM Frequently Asked Questions

1. What is the ERCOT Reliability Monitor (ERM)?

Answer: ERM is the entity selected by the Public Utility Commission (PUC or Commission) to monitor compliance with all state reliability-related laws, rules, and ERCOT procedures including protocols, processes, and any other operating standards applicable to the ERCOT Region.

2. How is the ERM different from the Independent Market Monitor (IMM) or the Texas Reliability Entity (Texas RE)?

Answer: The IMM identifies conduct by Market Participants on market rules that compromise the efficiency or distort the outcomes of the ERCOT markets. Additionally, the IMM issues periodic reports providing an independent assessment of the competitive performance and operational efficiency of the ERCOT market.

Texas RE is the Regional Entity for the area of Texas served by ERCOT. Through a Delegation Agreement with North American Electric Reliability Corporation (NERC) approved by the Federal Energy Regulatory Commission (FERC), Texas RE does the following in the ERCOT Region:

- Develops, monitors, assesses, and enforces compliance with NERC Reliability Standards;
- Develops regional standards; and
- Assesses and periodically reports on the reliability and adequacy of the bulk power system.

Texas RE is independent of all users, owners, and operators of the bulk power system.

3. How is the ERM different from ERCOT, Inc.?

Answer: Pursuant to § 39.151 of the Texas Public Utility Regulatory Act (PURA), ERCOT, Inc. is primarily the independent organization that ensures access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms; the reliability and adequacy of the regional electrical network; information relating to a customer's choice of retail electric provider is conveyed in a timely manner to persons needing that information; and electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers in the region. ERCOT, Inc. is the independent system operator (ISO) independent of any producer or seller of electricity, which ensures its



ERM Frequently Asked Questions

decisions are not unduly influenced by any producer or seller of electricity. The PUC certified ERCOT as the ISO.

Pursuant to 16 Texas Administrative Code (TAC) § 25.503(k), the ERM: (i) monitors, investigates, audits, and reports to the PUC regarding compliance with reliability-related ERCOT procedures, including Protocols, Operating Guides, and Other Binding Documents, the reliability-related provisions of the commission's rules, and reliability-related provisions of PURA by market entities; (ii) provides reliability-related subject-matter advice, expertise, and assistance to the PUC in the conduct its oversight and enforcement activities; and (iii) provides expert advice, analysis, reports, and testimony services relating to its analysis and findings as part of PUC staff's case in enforcement proceedings.

While ERCOT personnel supporting the ERM are also ERCOT employees, they operate independently, like how ERCOT's Internal Audit department operates.

4. If the ERM evaluates ERCOT ISO's compliance with Reliability Requirements, isn't that a conflict of interest, given that ERM personnel are also ERCOT employees?

Answer: While a potential for a conflict of interest exists, the PUC Order approving ERCOT as the ERM ([here](#)) requires the ERM be led by individuals free from the undue influence of any individuals whose actions may impact the outcomes of any ERM activity. Accordingly, each ERCOT employee who conducts ERM activities must be objective and independent in judgement, which, among other things, requires they be, "explicitly free from retribution as a result of any investigation of an ERCOT, Inc. action, procedure, or policy, or of a reliability-related event involving an ERCOT, Inc. employee or agent." Consequently, ERM Employees sign a Code of Conduct committing to act independently. ERCOT, Inc. has a history of transparency with the PUC which includes routinely self-reporting violations of ERCOT rules. Adding the ERM role does not change that transparency, nor the relationship between ERCOT, Inc. and the PUC.

5. Will [an audit] be with one entity or multiple entities? Will these audits be based upon function?

Answer: Depending on the subject matter, an ERM audit will likely involve a class of Market Participants (*e.g.*, QSEs, Resource Entities, TDSPs, *etc.*).

6. Should the entities expect ERCOT to perform audits yearly?

Answer: Yes.



ERM Frequently Asked Questions

7. Will these audits be oriented to ERCOT NODAL Protocols and Guidelines?

Answer: Yes, as well as all other ERCOT Other Binding Documents, Commission Electric Substantive Rules, and PURA.

8. What happens where the ERCOT Nodal Protocols overlap with the NERC Standards?

Answer: The ERM handles only matters involving state-level reliability requirements (as mentioned above). NERC Standards remain the responsibility of NERC and Texas RE.

9. Will there be the potential for two fines, *e.g.*, Nodal Protocol and NERC Standards

Answer: The ERM has no role in determining fines. That role belongs to the Commission. However, if a Market Participant violates a NERC Standard *and* a state-level Reliability Requirement, two administrative penalties are possible.

10. Will there be Entity Questionnaires, as in the past?

Answer: The ERM does not currently contemplate entity questionnaires.

11. Will there be a process to ensure that there will not be duplication of regulatory RFI's from various agencies, *e.g.*, ERCOT, Texas RE, FERC, PUCT, related to investigations, and potential violations from ERCOT?

Answer: The ERM does not coordinate with the Texas RE, FERC, NERC or other federal-level regulators. The ERM will try to coordinate with ERCOT ISO and the Commission when possible. However, because of the required separation of duties between ERCOT ISO and the ERM, we cannot ensure no overlap will occur.

12. Will entities receive an engagement notification prior to audit? (Similar to Texas RE).

Answer: Yes, but it will likely be in the form of a Market Notice when the ERM audits a class of Market Participants such as the [Market Notice](#) issued on April 17, 2023.

13. Will there be a monitoring period per audit?

Answer: Yes, when appropriate. For example, the ERM is currently (2023) auditing Market Participant compliance with the requirement to conduct reactive tests every five years. The ERM is looking at the last two test submittal dates to perform the audit.

14. What will be the process for self-reporting?

Answer: The ERM currently has no formal self-reporting process. An entity may self-report an incident by contacting the ERM at ERM@ercot.com.



ERM Frequently Asked Questions

15. If an entity self-reports, is there a minimum number of days ERM will conduct incident reviews?

Answer: No. Because the ERM uses a risk-based approach to performing Incident Reviews, events having a great impact on the ERCOT System will be reviewed before events with a lesser impact. Consequently, the ERM cannot estimate how long it will take to perform an Incident Review.

16. What is the retention period require [sic] for evidence?

Answer: No specific retention period exists. Entities should maintain evidence at least until the matter ends (whether through Incident Review, enforcement action, or appeals through the courts).

17. Upon completion of an audit, will ERM provide a compliance audit report (findings, areas of concerns or recommendations)?

Answer: The ERM will not provide an audit report to a Market Participant like those you are accustomed to from Texas RE. The ERM reports directly to the Commission. Depending on the type of audit, the ERM may recommend areas for improvement to the Commission.

18. Will Audits be Event driven, *e.g.* such as loss of generation, frequency/voltage excursions, etc.?

Answer: They *can* be event driven. For example, after a winter or summer weather emergency event, the ERM might conduct an audit to ensure Market Participants complied with relevant requirements (*e.g.*, updating the Outage Scheduler, etc.).

19. Will there be Self Certifications?

Answer: The ERM does not currently contemplate self-certifications, but it is possible the ERM and Commission staff might develop such a procedure.

20. If I receive an RFI from the ERM, should I copy my Client Services Account Manager or other ERCOT staff on the reply?

Answer: No.



ERM Frequently Asked Questions

21. Will ERCOT provide notice to market participants or will that come from PUCT Staff?

Answer: The ERM will provide notice to Market Participants when it:

- (1) opens an Incident Review;
- (2) closes an Incident Review with no referral to the Commission;
- (3) refers an Incident Review to the Commission for potential enforcement action;
- and
- (4) plans to begin a Compliance Audit (ERM will issue a Market Notice).

22. Will a PUCT DICE staffer be assigned to each issue?

Answer: Not during an ERM Incident Review. Once the ERM refers a matter to the Commission, a member of the Division of Compliance and Enforcement (DICE) team is assigned.

23. What will be the roles of PUCT Staff and of ERCOT?

Answer: During an Incident Review, Commission Staff have no role except informal communication. If the ERM refers a matter to the Commission, its staff will then decide whether to open an enforcement action.

ERCOT ISO personnel may assist ERM staff in performing an Incident Review. In that case, the ERCOT staff member signs a Code of Conduct requiring him/her to, among other things, maintain confidentiality.

24. Will the ERCOT personnel working on compliance issues be in ERCOT Legal or in business groups?

Answer: Both.

25. Will ERCOT have its own SMEs associated with various violations?

Answer: As mentioned above, ERCOT personnel (e.g., a Subject Matter Expert) may assist ERM staff in performing an Incident Review. In that case, the ERCOT staff member signs a Code of Conduct requiring him/her to, among other things, maintain confidentiality.



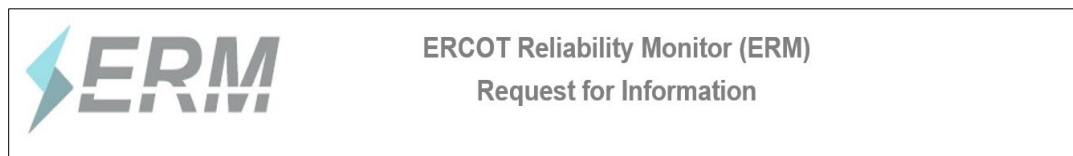
ERM Frequently Asked Questions

26. It seems like the ERM is moving to a similar model as the NERC compliance enforcement model. Will ERCOT (or the ERM) publish a Violation Risk Factor (VRF) to the requirements in the many regulatory requirement documents to assist the MP to prioritize/categorize ERCOT requirements?

Answer: The ERM has not moved to a “enforcement model.” The ERM has no official role in enforcement decisions; that job belongs to the PUC. Accordingly, neither ERCOT ISO, nor the ERM has any plans to develop VRFs akin to those used by NERC.

27. How will I know if Requests for Information (RFIs) I receive are from ERCOT in its role as the independent organization under PURA or ERCOT in its roles as ERM in its PUC’s Electric Substantive Rules?

Answer: The ERM will make every effort to send correspondence from the ERM@ercot.com email address. Additionally, RFIs from the ERM will be on a form called, “ERCOT Reliability Monitor (ERM) Request for Information” and contain the ERM logo like the one in the header of this document, see also screen shot below.



28. PUC Rule 25.503(n) has a three year record retention requirement. Is this applicable to MP’s and would it apply to an investigation?

Answer: The ERM interprets 16 TAC § 25.503(n) as applying to *market* information, not reliability-related information. Specifically, § 25.503(n)(1) refers to scheduling, offer and bidding information. Section § 25.503(n)(2) refers to, “records relative to market participants’ activities in the ERCOT-administered *market*”

Thus, the ERM believes the three-year retention period does not apply to reliability-related records.

29. Does ERM have a list of Reliability Standards broken down in categories of importance to ERM?

Answer: No.