



## **Item 6: Reliability Monitor Update**

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Board of Directors Meeting

ERCOT Public

April 23, 2024

# Overview

- **Purpose**  
Inform Board members about ERCOT Reliability Monitor (ERM) activities
- **Voting Items / Requests**  
No Board action requested; for discussion only
- **Key Takeaways:**
  - ERM began its responsibilities in November 2022 and has opened 220 investigations against ERCOT and Market Participants.
  - ERM has full and part-time ERCOT employees (sign separate Code of Conduct to ensure independence and objectivity) who work directly with PUC Enforcement Division.
  - ERM budget is part of overall System Administration Fee and ERM reports its expenses to the PUC annually.

# Background

- **November 3, 2022:** PUC directed ERCOT to serve as ERM effective immediately
  - ERM resides under General Counsel Department
- **First step:** Assigned ERM employees
  - 3 FTEs from Operations & Planning Compliance (OPC)
  - 2 Part-time from OPC
  - 1 FTE from Legal
  - 6 Part-time from Legal
  - On-going: approximately 6 FTEs
- **Next step:** Developed policies, procedures, SharePoint site
  - Dedicated email for all communications: [ERM@ercot.com](mailto:ERM@ercot.com)
  - First Incident Review began 11/28/22
  - ERCOT employees may support ERM on *ad hoc* basis (more later)
- **Next step:** Presentations to ERCOT employees/Market Participants

# Distinction between ERCOT and ERM

## ERCOT Function (16 TAC § 25.503(j))

- Monitor material occurrences of non-compliance with ERCOT requirements that could impede ERCOT operations or create risk to system reliability
- Keep records of events
- Support ERM and PUC in performing their duties
  - Provide info to and respond to questions from ERM and PUC

## ERM Function (16 TAC § 25.503(k))

- Under PUC direction/supervision:
  - Monitor/Investigate/Audit/Report on Reliability Requirements
  - Provide subject matter advice, expertise, and assistance to PUC Enforcement staff for oversight and enforcement activities
  - Provide expert advice, analysis, reports, and testimony in enforcement proceedings

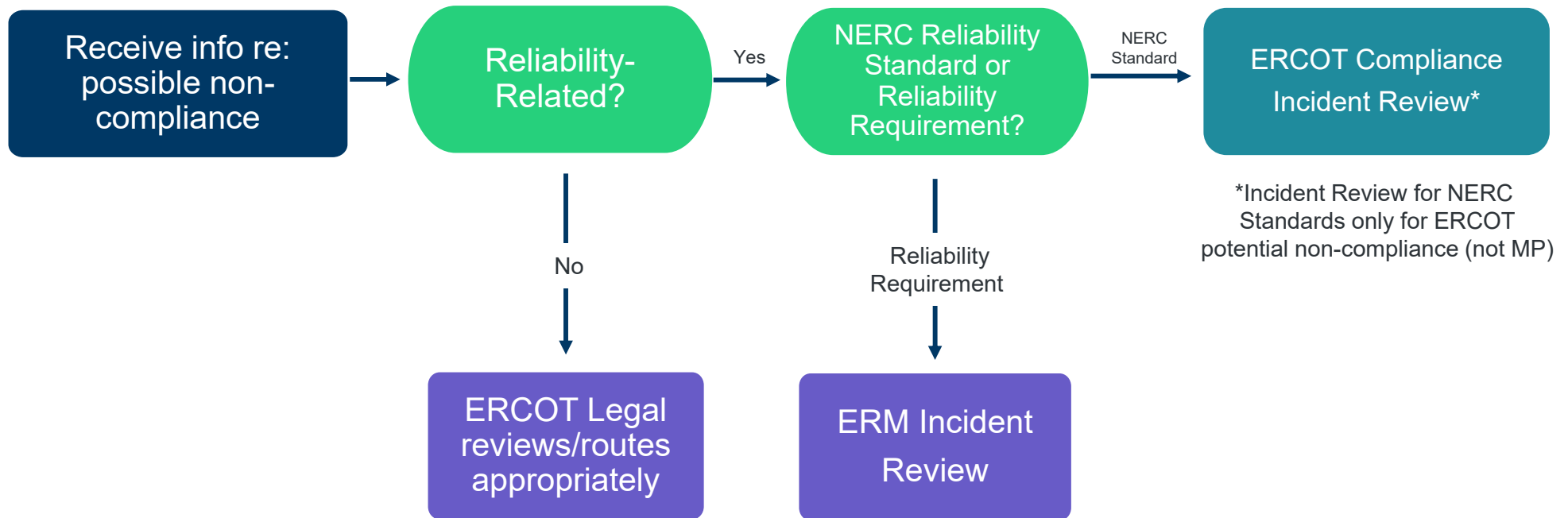
**Key Takeaway:** No change to traditional ERCOT role, ERM supports PUC Enforcement Division.

# ERM Responsibilities

- As ERM (under PUC direction), ERCOT will:
  - Assess MP **and ERCOT** compliance with state statutes, PUC Substantive Rules and ERCOT requirements (**not** NERC Reliability Standard requirements)
  - Gather and analyze information to meet monitoring obligations
  - Investigate potential non-compliance events
  - Choose reliability requirements and assess ERCOT/MP compliance (audits)
- ERM must act ***independently***
  - Be objective and use independent judgment free of undue influence
  - Codes of Conduct
    - ERM Employees – work on all ERM matters and sign general code of conduct
    - If ERCOT SME assists in ERM investigation, sign code of conduct **specific to matter**
      - Access to ERM SharePoint site *for that matter only*

**Key Takeaway:** ERM supports PUC Enforcement Division on compliance and acts independently.

# ERM Process



- ERCOT Legal and OPC triage incidents of potential non-compliance to determine method of investigation
  - ERM reviews issues related to **state-level reliability requirements**
  - ERCOT OPC reviews issues related to *ERCOT* compliance with **NERC Reliability Standards**
- Incident Reviews can be initiated by:
  - Direct notification by MP, PUC Enforcement staff, or ERCOT employee
  - Internal routine compliance monitoring

# ERM Investigations

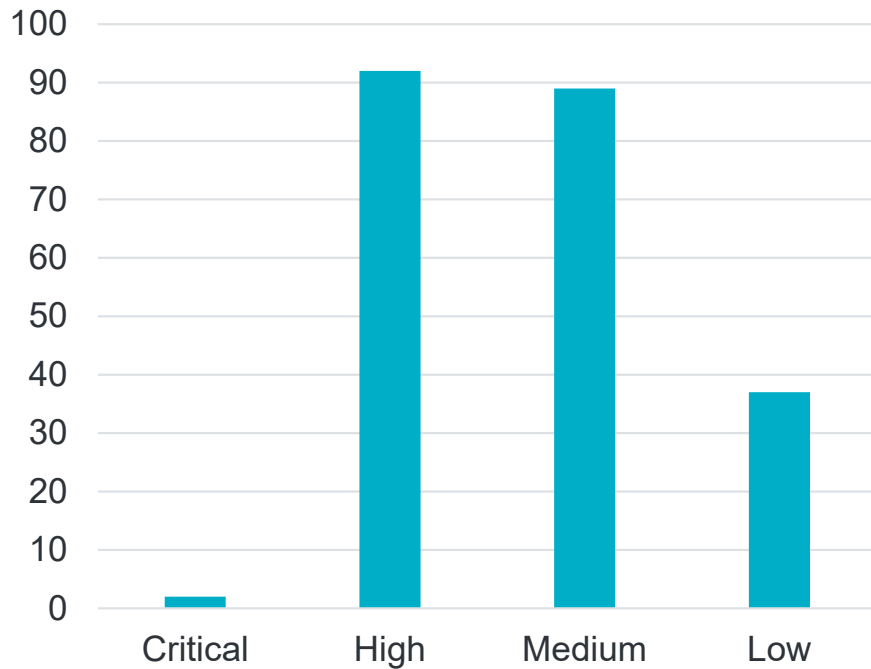
- If reliability-related, ERM performs Incident Review
  - Applies to ERCOT **and** MPs
  - ERM prioritizes (critical, high, medium, low)
  - ERM **may** request assistance from ERCOT SMEs
  - Review data, send Requests for Information (RFIs), conduct interviews, *etc.*
  - Preliminary determination if violation occurred
  - If yes, refer to PUC Enforcement staff for oversight and enforcement decision
  - PUC Enforcement Division decides whether to pursue further action (**not** ERM)

**Key Takeaway:** PUC has complete oversight and final decision on all enforcement actions. ERM **only** conducts investigations and supports PUC Enforcement Division.

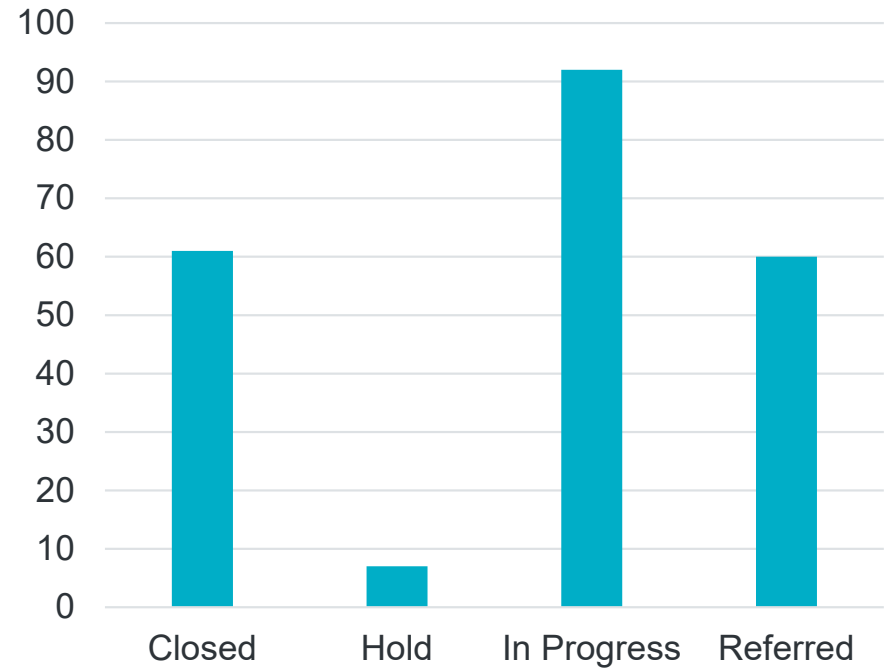
# ERM Performance Metrics

- **November 2022 – March 2024:** 220 total investigations

### Priority Level



### Status



**Key Takeaway:** ERM has referred 60 Incident Reviews to PUC Enforcement Division.



# ERM Budget for Calendar Year 2023

- **Calendar Year 2023 Budget: \$1,812,829**
  - Tier 1 Direct Cost assignment: \$1,103,152
  - Tier 2 Cost Allocations: \$382,202
  - Tier 3 Cost Allocations: \$327,475
- **Tier 1 Direct cost assignment**: Costs directly/solely attributable to ERM program (e.g., salaries, benefits, and employee expenses)
- **Tier 2 Indirect cost assignment (based on discrete drivers)**: Costs not directly/solely attributable to ERM program but associated with discrete cost driver - assigned by driver (incl. HR, facilities, and IT) – uses number of employees, physical space, hardware/software support costs
- **Tier 3 Indirect cost assignment (based on general allocators)**: Costs not directly or indirectly assigned - allocated proportionally based on costs in Tiers 1 and 2 (e.g., accounting, corporate communications, cybersecurity, and enterprise risk management)

**Key Takeaway:** Budget compares favorably to last Texas RE budget filing (2021) at \$1,332,358.

# Appendix

## ERM Public Webpage (<https://www.ercot.com/about/reliability-monitor>)

[Home](#) > [About ERCOT](#) > ERCOT Reliability Monitor Program

### ERCOT Reliability Monitor Program

On November 3, 2022, the Public Utility Commission (PUC) issued an order directing ERCOT to assume the duties and responsibilities of the Reliability Monitor for the Texas power grid. ERCOT, acting as the Reliability Monitor, gathers and analyzes information and data to meet its monitoring obligations as required by [16 TAC § 25.503\(k\)](#), under the direction of the PUC.

**REPORT VIOLATION:** To report occurrences of potential non-compliance with any part of the Public Utility Regulatory Act (PURA), PUC Substantive Rules, ERCOT Protocols, ERCOT Operating Guides, or ERCOT Other Binding Documents in the ERCOT region, email [ERM@ercot.com](mailto:ERM@ercot.com).



#### ERCOT's Role as the ERCOT Reliability Monitor (ERM):

1. Assess the compliance of both ERCOT and ERCOT Market Participants with Texas electric reliability laws (including, PURA, PUC Substantive Rules, ERCOT Protocols and Other Binding Documents)
2. Assist PUC Staff in reliability-related compliance and enforcement activities
3. Support PUC Staff in enforcement proceedings (e.g., providing expert advice, analysis, reporting, and testimony)
4. Maintain a communications plan with PUC Staff to ensure effective coordination and communication on ERM activities

# Appendix

## Helpful Links

PUCT Order

[https://interchange.puc.texas.gov/Documents/54248\\_3\\_1250231.PDF](https://interchange.puc.texas.gov/Documents/54248_3_1250231.PDF)

ERM Scope of Work

<https://interchange.puc.texas.gov/search/documents/?controlNumber=54248&itemNumber=4>

ERM Frequently Asked Questions

<https://www.ercot.com/files/docs/2023/08/21/August-2023-ERM-FAQ-Market-Participants-Final.pdf>

ERM Presentation to Market Participants

<https://www.ercot.com/files/docs/2023/08/21/August-2023-ERM-FAQ-Market-Participants-Final.pdf>

PUCT Electric Substantive Rule § 25.503

<https://www.puc.texas.gov/agency/ruleslaws/subrules/electric/25.503/25.503.pdf>