



ERCOT Reliability Monitor Program

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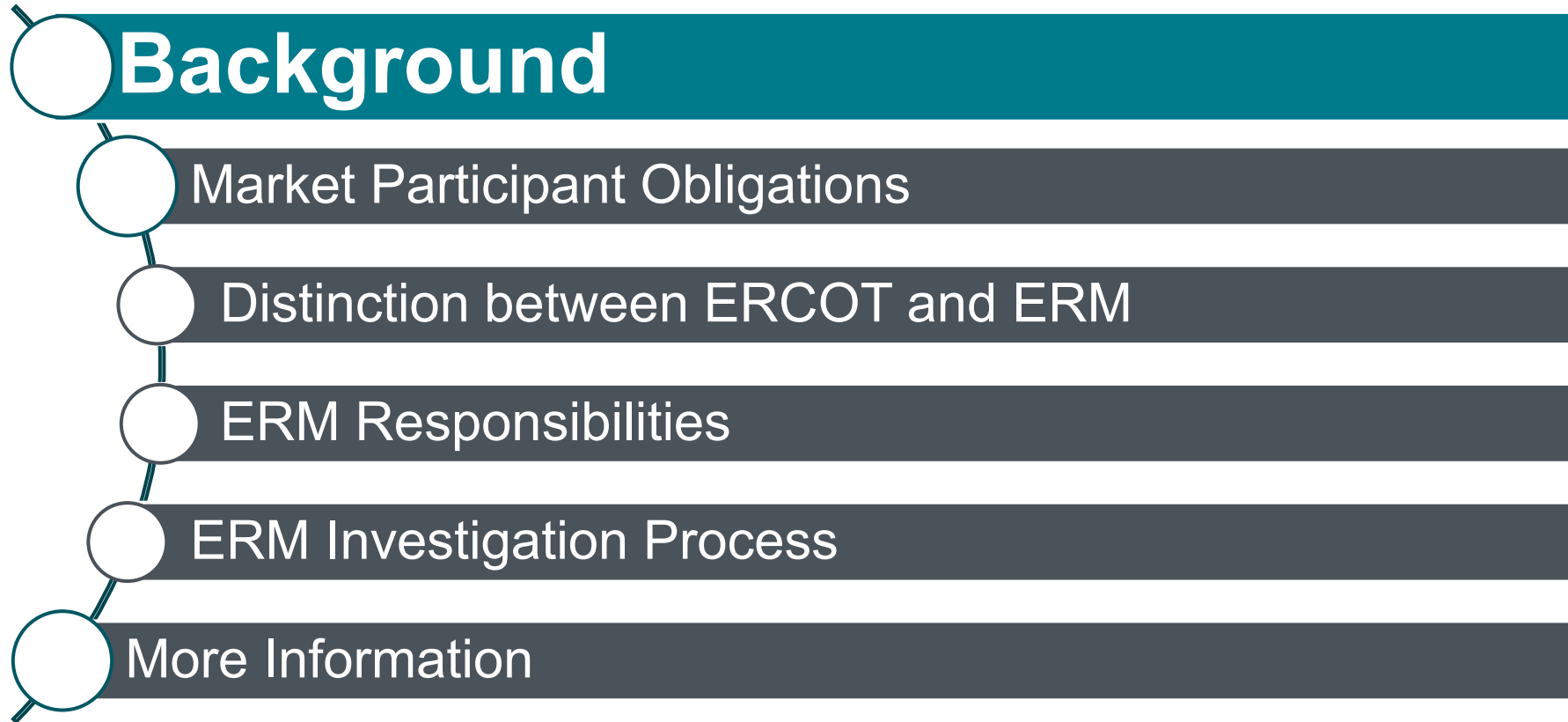
Purpose

- To familiarize Market Participants with ERCOT Reliability Monitor (ERM) function and role in supporting enforcement activities of the Public Utility Commission of Texas' (PUCT) Division of Compliance and Enforcement (DICE)

Key Takeaway:

Market Participants will learn ERM's governance framework, investigation process, and how to contact ERM

Agenda



Enforcement Landscape in Texas



Key Takeaways: PUCT holds enforcement authority, which is prosecuted by DICE. ERM supports DICE to investigate state-level reliability requirements. Potential violations that come to ERCOT's attention must be reported to ERM. TRE investigates federal-level NERC reliability requirements.

History: Entities that Served as Reliability Monitor

- 2010 - November 16, 2020: PUCT contracted with Texas Reliability Entity (TRE) to perform the Reliability Monitor service. PUCT severed its contract with TRE in November 2020.
 - TRE continues to perform *federal* reliability monitoring as the NERC regional entity
- Between November 16, 2020 and November 2, 2022: PUCT Staff performed Reliability Monitor function
- November 3, 2022: PUCT issued Order in Project [54248](#) directing ERCOT to serve as the Reliability Monitor

- [16 Tex. Admin. Code § 25.503\(k\)](#): PUCT rule establishing responsibilities of Reliability Monitor
- [Scope of Work](#): Responsibilities of ERM, including recordkeeping and reporting
- [Communications Plan](#): Specifies how ERM communicates with PUCT and Entity Investigated, records access and retention, and points of contact
- [Code of Conduct](#): Establishes tenets that each ERM employee agrees to be bound by, including maintaining information confidentiality and prohibiting conflicts of interest

Role of the Reliability Monitor: 16 Texas Administrative Code § 25.503(k)

Assess Compliance

Monitor, investigate, and audit activities for compliance with reliability-related ERCOT Protocols, Other Binding Documents (OBDs), Public Utility Regulatory Act (PURA), and PUCT rules

Investigation Support

Investigate and report non-compliance to PUCT's Division of Compliance and Enforcement (DICE) and provide support with subject matter advice, expertise, and assistance for oversight and enforcement activities

Enforcement Support

Provide advice, reports, and testimony related to analyses and findings to aid PUCT enforcement proceedings brought by DICE

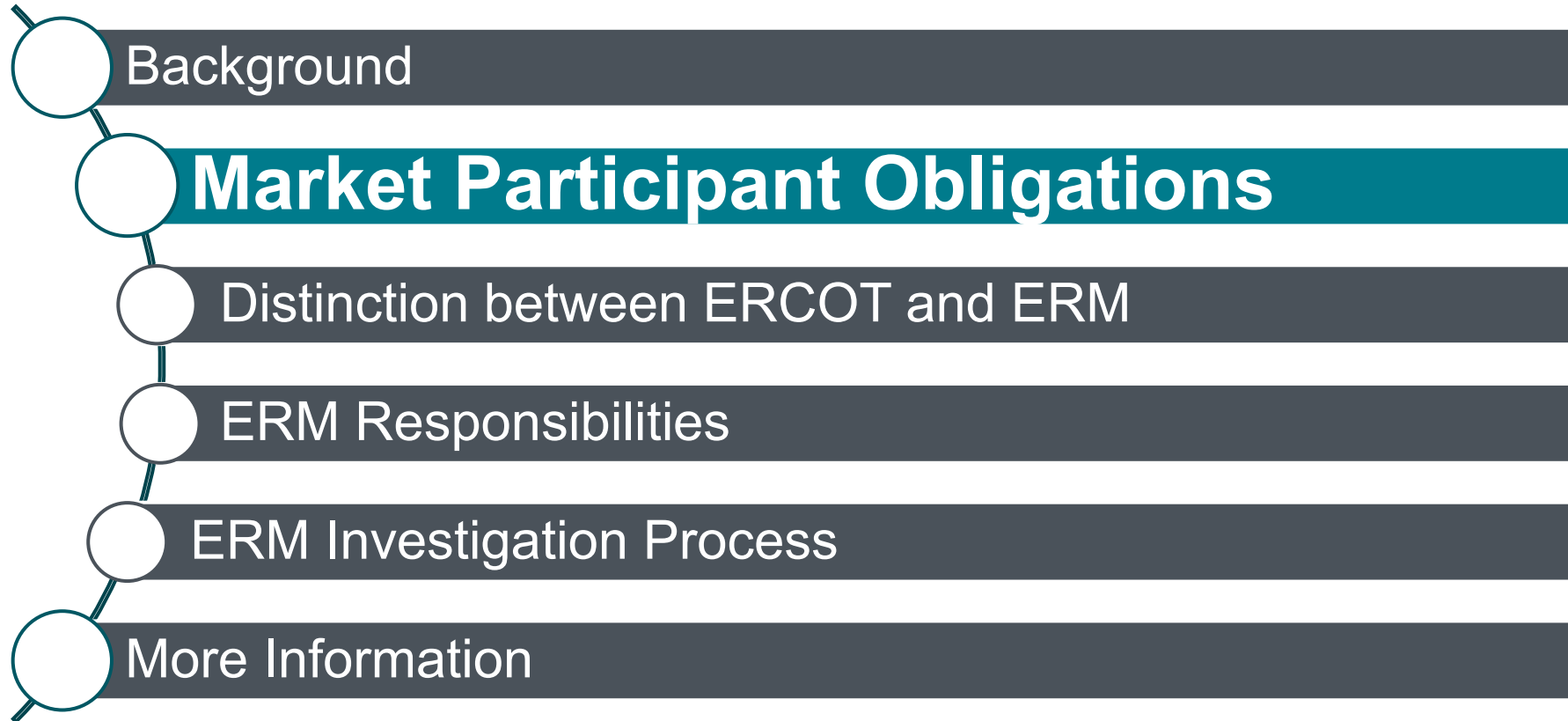
Key Definitions

- **Entity Investigated (EI):** Market Participant or ERCOT that is the subject of an Incident Review
- **Incident Review (IR):** Investigation performed by Reliability Monitor staff to assess compliance with a Reliability Requirement
- **Preliminary Assessment Report (PAR):** report created by ERM providing results of its investigation, legal analysis of whether a potential violation of a Reliability Requirement occurred, and associated evidence
- **Reliability Requirement:** Reliability-related ERCOT Protocols, OBDs, PUCT rules (i.e., Title 16, Chapter 25 of Tex. Admin. Code), and PURA

ERM Code of Conduct

- Prohibits ERM employees from sharing information related to investigations or results with non-disclosed entities
- Must securely maintain records, including from non-ERM ERCOT employees
 - Non-ERM ERCOT employees access to ERM SharePoint site **only for individual matters**
- Prohibits concurrently providing service to a Market Participant if it might create a conflict of interest or appearance of impropriety
- Prohibits having an interest (e.g., owning stocks) in an ERCOT member, Market Participant, or affiliate
- Prohibits receipt of gifts
- Requires any deviation from Code of Conduct to be reported to DICE

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Market Participant Obligations

Public Utility Regulatory Act § 39.151(j)

Requires that a Market Participant:

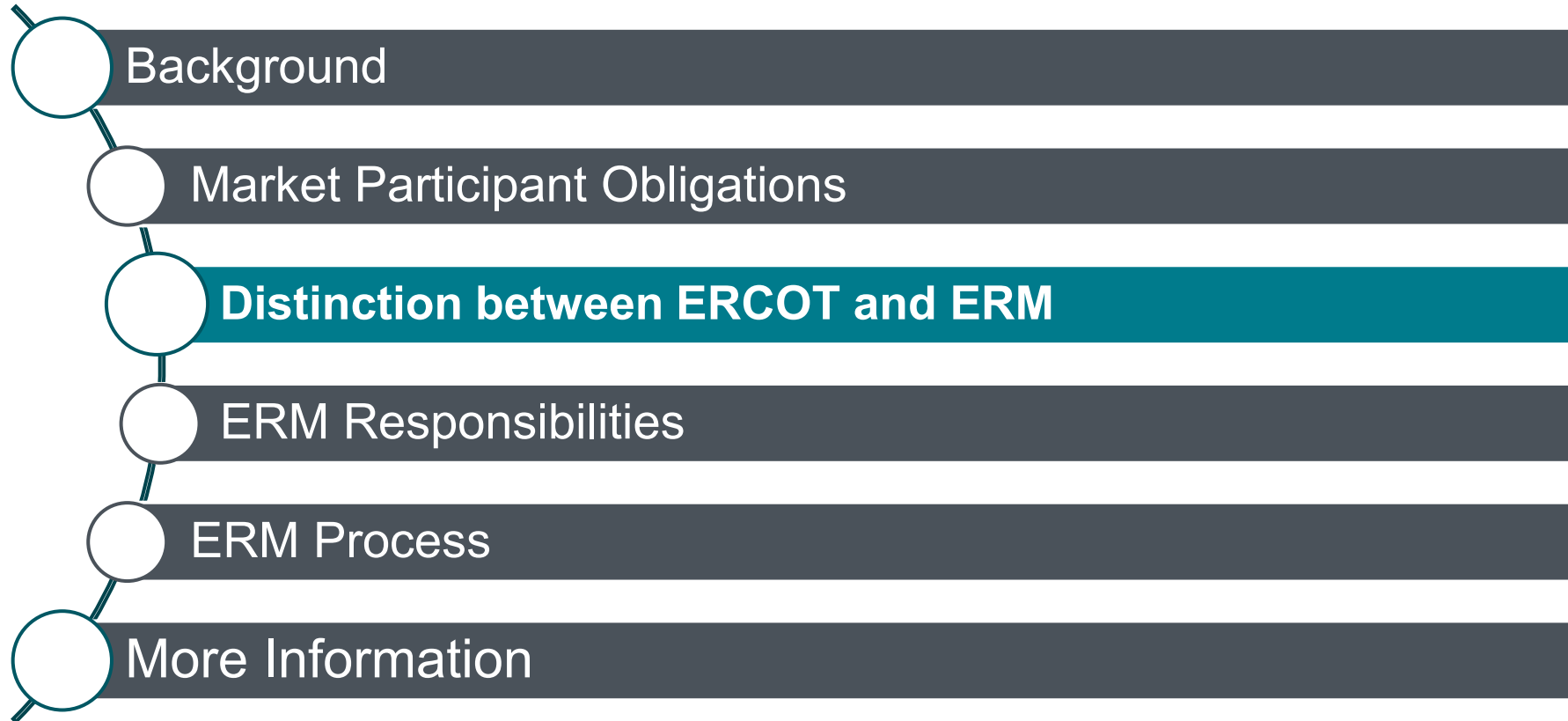
- “shall observe all scheduling, operating, planning, reliability, and settlement policies, rules, guidelines, and procedures established by ... ERCOT.
- Failure to ... comply may result in revocation, suspension, or amendment of a certificate...or imposition of administrative penalty.”

Market Participant Obligations – cont'd

16 Texas Administrative Code § 25.503(f):

- (1) Know Protocols, Operating Guides, *etc.* and comply with them
- (2) & (4) If you cannot comply, notify ERCOT immediately
- (6) Bid energy and Ancillary Services from Resources available/capable of performing
- (8) Provide accurate/factual info and do not submit false/misleading info or omit material information in communications with ERCOT
- (9) Report availability and maintenance of facilities, including outage scheduling and notify ERCOT when capacity changes or resource limitations occur
- (10) *Timely* comply with requests for information or data by ERCOT
- (12) Cooperate with ERCOT subcommittees, staff, and PUCT to develop clear and consistent Protocols
- (13) Establish/document procedures instructing affected personnel how to implement ERCOT procedures and establish clear lines of accountability

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Distinction Between ERCOT Inc. and the Reliability Monitor

ERCOT

16 TAC § 25.503(j)

Monitors material occurrences of non-compliance with the ERCOT procedures (i.e., that have potential to impede ERCOT operations or represent risk to system reliability)

Reliability Monitor

16 TAC § 25.503(k)

Evaluates performance by ERCOT and/or Market Participants against compliance metrics, reports on performance, and supports Commission enforcement activities

Key Takeaway: ERCOT monitors incidents and performance failures; ERM supports the *enforcement* of those incidents or performance failures.

Distinction: Role of ERCOT

- Under 16 TAC § 25.503(j), ERCOT must:
 - Monitor material occurrences of non-compliance with Reliability Requirements
 - Keep records of such events
 - Support ERM and PUCT in performing their duties
- Examples of such occurrences:
 - Failure to follow Dispatch Instructions
 - Failure to meet Ancillary Service obligations
 - Failure to maintain Current Operating Plans

Key Takeaway: ERCOT's traditional role has not changed.

Distinction: Role of ERM

- Under 16 TAC § 25.503(k), ERM must, under the direction and supervision of the PUCT's DICE:
 - Monitor, investigate, audit, and report on ERCOT and Market Participant performance with Reliability Requirements
 - Provide subject matter expertise, advice, and assist DICE in oversight and enforcement activities

Key Takeaway: ERM performs research and analyses to support enforcement; only DICE has authority to bring an enforcement action and seek enforcement penalties

ERCOT Employees Performing ERM Activities

ERM function resides in ERCOT's Legal and Compliance departments:

- Compliance: Operations & Planning Compliance (OPC) SMEs are separate from rest of Compliance. Performs Incident Reviews and analyses
- Legal: ERM attorneys are separate from rest of Legal. Coordinates with DICE and Els, performs legal review of IRs, and makes filings with PUCT

In support of ERM responsibilities, non-ERM ERCOT employees must:

- Act independently and maintain confidentiality of data and information
- Sign the Code of Conduct specific to that IR
- Access to ERM SharePoint site for that IR only

Key Takeaway: ERCOT employees performing the ERM activities act independently and respect the heightened confidentiality requirements

ERM Core Tenet

Independence

- Must be objective
- Use independent judgment free of undue influence

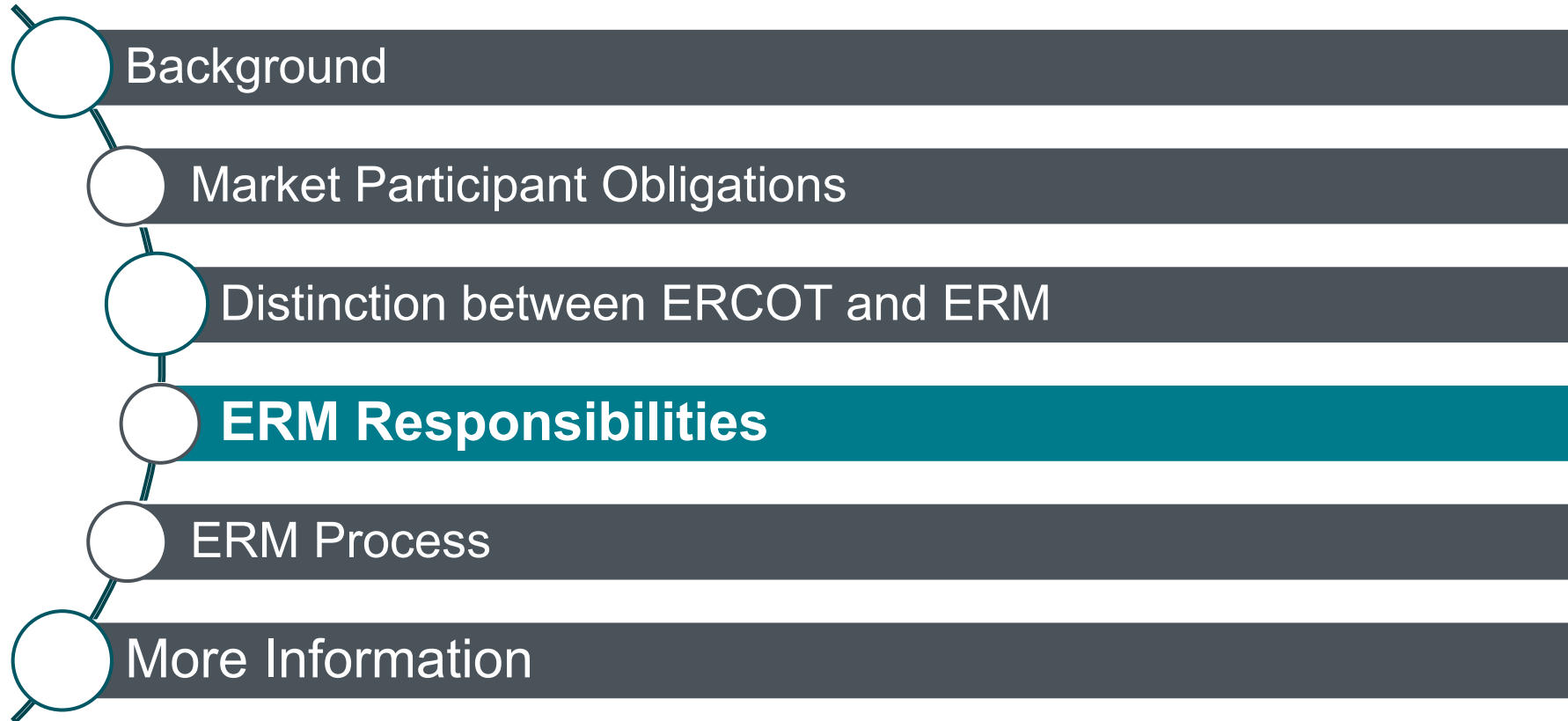
* To ensure independence from other ERCOT activities and to maintain confidentiality:

Market Participants should **not** copy any ERCOT employee (including their ERCOT Account Manager) when responding to ERM correspondence or information requests

What about NERC?

- North American Electric Reliability Corporation (NERC) Reliability and Critical Infrastructure Protection Standards are *federal* standards
 - TRE monitors compliance with those Standards in Texas
- If a given incident potentially impacts compliance with *both* NERC Standards and Texas Reliability Requirements, then both TRE and ERM may independently investigate that incident

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ERM Responsibilities: Monitoring and Investigation

- Monitor ERCOT and Market Participant compliance with Reliability Requirements:
 - Routinely monitor for ERCOT Protocols § 8 Performance Monitoring (previously performed by ERCOT Compliance)
 - Review ERCOT event analysis reports (e.g., weather events, system disturbances, etc.)
 - Produce quarterly performance metrics reports to DICE
- Investigate ERCOT and Market Participant compliance with Reliability Requirements
 - Perform Incident Reviews
 - Draft Incident Review reports (i.e., PARs) and submit to DICE

ERM Responsibilities: Quarterly Reporting

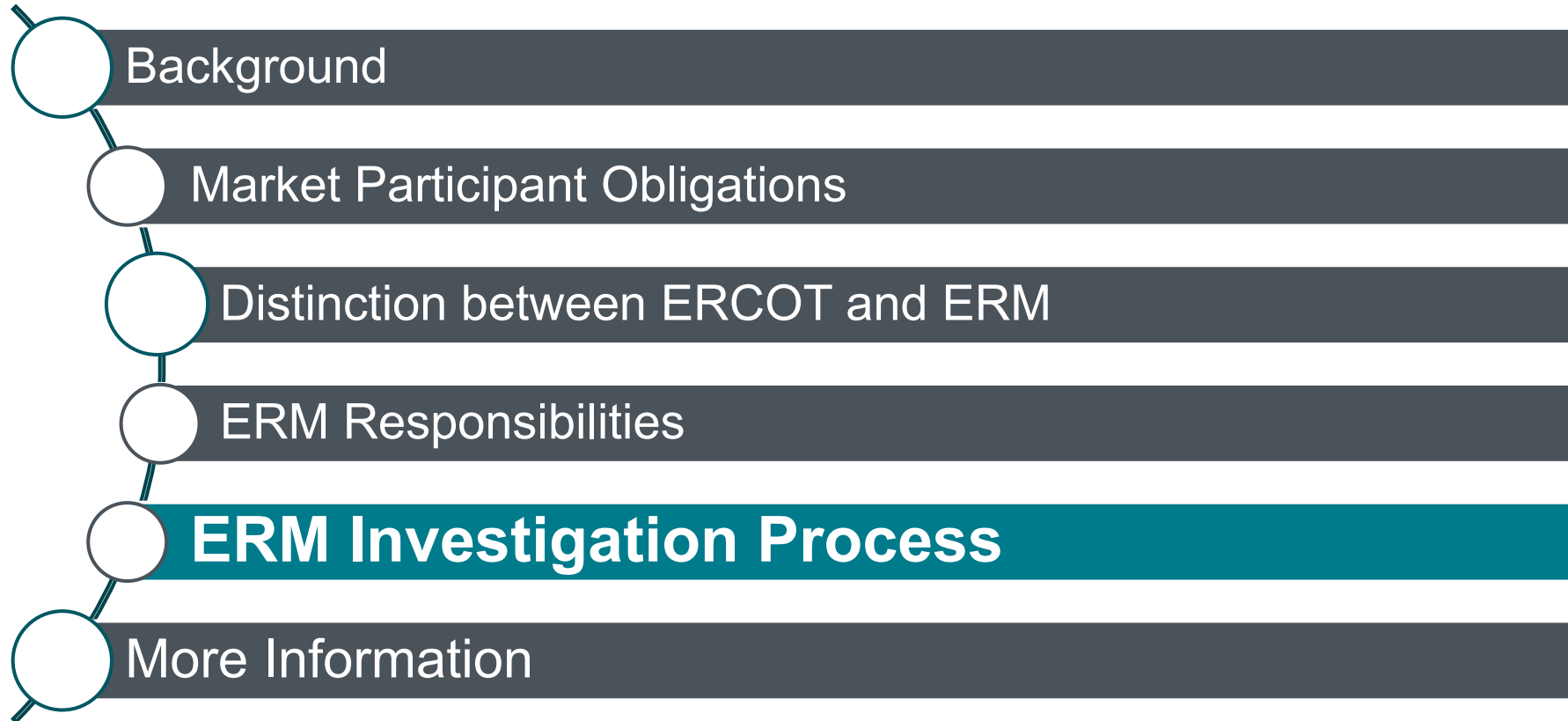
- Quarterly Reporting to PUC
 1. [Post public report](#) required by PUC that includes:
 - Number of IRs opened and referred to DICE
 - Monitoring of reliability-related changes to PUC rules and ERCOT Protocols and OBD; can make recommendations to promote improved reliability
 - Reminder of routine compliance monitoring areas
 - An assessment of the overall reliability of the ERCOT grid, highlighting areas of concern and identifying possible remedial actions
 - Status of compliance audits
 2. Issue a confidential report to DICE on Protocols § 8 performance metrics
 3. Refer SIRPs

ERM Responsibilities: Enforcement Support

- Assist DICE with oversight and enforcement activities
 - Respond to DICE staff questions regarding Incident Reviews
 - Support DICE during enforcement activities as requested
 - Testimony, exhibit generation, advice/counsel, etc.

Key Takeaway: ERM provides “start to end” support to PUC and DICE staff

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ERM Assessment Process

- Applies to ERCOT **and** Market Participants
 - Only issues related to **state-level Reliability Requirements**
- Incident Reviews can be initiated by:
 - Direct notification by a Market Participant, DICE, or ERCOT employee
 - Internal routine compliance monitoring
- ERM triages incidents of potential non-compliance
 - If the incident impacts a Reliability Requirement, then ERM opens an IR
 - If not state-level reliability-related, then ERM refers incident to ERCOT Legal for additional process determination

ERM Investigation Process: Overview

If reliability-related,
ERM performs
Incident Review

Applies to
ERCOT **and**
MPs

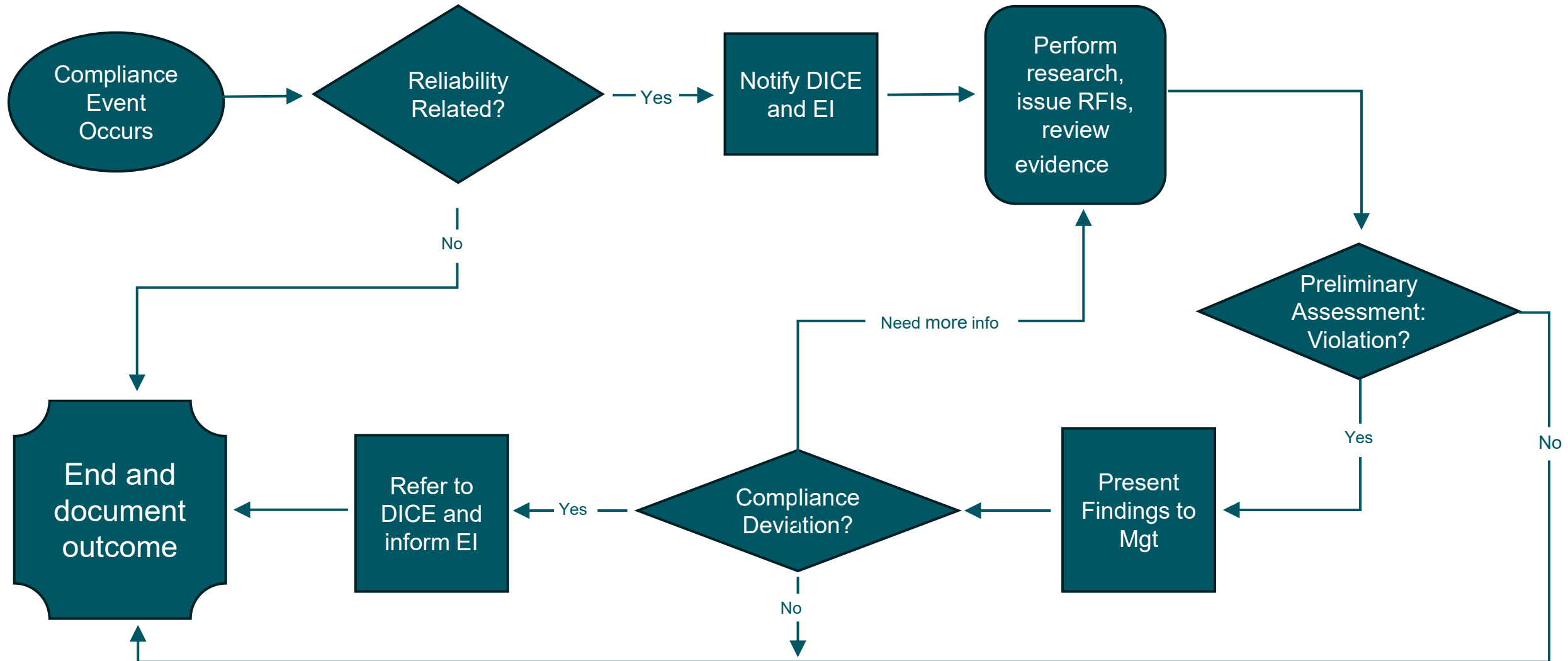
ERM **may** request
assistance from
ERCOT SMEs

Review data,
send RFIs,
conduct
interviews, *etc.*

Determine if
violation occurred

If yes, refer
PAR to DICE for
enforcement
decision

ERM Investigation Process: Step-by-step



Agenda



ERM Webpage



[About ERCOT](#) [Services](#) [Committees and Groups](#) [Market Rules](#) [Market Information](#) [Grid Information](#) [Market Participants](#)

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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 OR FOR GENERAL QUESTIONS: 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, or if you have general questions for the ERCOT Reliability Monitor, email 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

Key Takeaway: Refreshed webpage summarizes ERM role, types of Incident Reviews and status of current investigations, and links to additional information: www.ercot.com/about/reliability-monitor

Contacting ERM

Email **ERM@ercot.com** with:

- Referrals of potential violations of reliability-related state requirements
- Self-report potential Reliability Requirement violations
- Questions related to ERCOT's role as the Reliability Monitor

Submitted Questions

1. Does ERM follow certain criteria when deciding whether to open an investigation versus handling an issue through an RFI process?
2. What are the most common triggers that lead to an ERM investigation? Are they different for Generation Resources, Load Resources, or QSEs?
3. At what point, if any, does an ERM investigation transition into a formal compliance or enforcement matter, and what factors influence that decision?
4. What should stakeholders expect regarding investigation timelines, status updates, confidentiality protections, and final disposition of findings?
5. How does the ERM distinguish between an operational error, a compliance violation, and a systemic process issue?
6. How does the ERM evaluate root-cause analyses submitted by Market Participants, and what characteristics make a response more effective and credible?
7. How are corrective actions assessed, and what evidence demonstrates that a mitigation or software fix has been effective?



Additional questions?

Appendix 1

Use Case Examples

- Use Case # 1 – Potential Market Participant Violation
- Use Case # 2 – Reliability Monitor Audit
- Use Case # 3 – Potential ERCOT Violation
- Use Case # 4 – Potential Market Participant Violation
- Use Case # 5 – Potential Market Participant Violation

Use Case #1 – Potential MP Violation

Issue: Winter Storm Elliott – Event Analysis

ERCOT

- Operations performs event analysis (e.g., weatherization issues)
- During or after event analysis, it appears MP did not properly weatherize their equipment
- ERCOT reports incident to ERM

Reliability Monitor

- Reliability-related? (confidential report)
 - Yes - not properly weatherizing affects reliability
- ERM conducts Incident Review
- Draft report
- If violation, refer to DICE (confidential report)

Use Case # 2 - Audit

Compliance with NOG § 3.3.2.2 (Reactive Testing)

ERM performs risk-based analysis to identify Reliability Requirement to audit

- Identifies NOG § 3.3.2.2(5) & (7)
- Issues [Market Notice](#)
- Gathers data
- Analyzes data
- Drafts report and sends to DICE

NOTICE DATE: April 17, 2023

NOTICE TYPE: M-A041723-01 General

SHORT DESCRIPTION: Notice of ERCOT Reliability Monitor Compliance Audit

INTENDED AUDIENCE: Qualified Scheduling Entities and Resource Entities

LONG DESCRIPTION: On November 3, 2022, the Public Utility Commission of Texas (PUC) named Electric Reliability Council of Texas, Inc. (ERCOT) the Reliability Monitor (ERM) defined in 16 Texas Administrative Code § 25.503(k) and (l). Pursuant to the ERM Scope of Work approved by the PUC, the ERM will conduct an audit of Market Participant compliance with Nodal Operating Guide Sections 3.3.2.2(5) and (7):

3.3.2.2 Reactive Testing Requirements

(5) The QSE representing a Generation Resource shall be responsible for scheduling reactive verification tests when requested by the Resource Entity in accordance with the conditions outlined above. If ERCOT does not issue a specific request for a Generation Resource reactive capability verification, the Generation Resource shall complete a reactive verification test at least every five years.

* * *

(7) The Resource Entity representing a Generation Resource shall be responsible for the timely and accurate reporting of test results to ERCOT and to the QSE representing the Generation Resource. The Resource Entity representing a Generation Resource must properly complete all required data fields in the NDCRC application for a test to be considered valid.

ADDITIONAL INFORMATION: After completing the compliance audit, the ERM will report the results to the PUC.

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Services phone number at (512) 248-3900 or contact ERCOT Client Services via email at ClientServices@ercot.com.

Use Case # 3 – Potential ERCOT Violation

Issue: ERCOT does not conduct ERS Resource testing under the required timeline



ERCOT

- ERCOT does not timely conduct ERS Resource testing
- ERCOT employee reports issue to manager
- Manager reports matter to ERM



Reliability Monitor

- Reliability-related?
 - Yes - ERS supports grid stability and resilience
- ERM conduct Incident Review
- Draft report
- If violation, refer to DICE (confidential report)

Use Case #4 – Potential MP Violation

Issue: MP does not update Backup Authorized Rep. (BAR) contact info

ERCOT

- ERCOT sends email to MP's BAR
- Email bounces
- ERCOT learns BAR left company
- ERCOT reports MP to ERM@ercot.com

Reliability Monitor

- Reliability-related? (confidential report)
 - No - does not affect system stability or resilience
- ERM refers to ERCOT Legal for further action

Use Case #5 – Potential MP Violation

Issue: Failure to operate Automatic Voltage Regulator (AVR)



ERCOT

- Operations identifies Resource being On-Line without AVR in service (required by Protocols § 13.5.2)
- Operations refers incident to ERM



Reliability Monitor

- Reliability-related?
 - Yes - operating without AVR in service affects system reliability
- ERM conducts Incident Review
- Draft report
- If violation, refer to DICE (confidential report)