ERM Frequently Asked Questions

General Questions[1]

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

Answer: ERM is the entity selected by the Public Utility Commission of Texas (PUCT) to monitor compliance with all state-level reliability-related laws, rules, and ERCOT procedures applicable to the ERCOT Region and reports violations of these requirements to the PUCT for potential enforcement. These requirements include reliability-related provisions of the Public Utility Regulatory Act[2] (PURA), the PUCT's electric substantive rules (codified in Title 16, Chapter 25 of the Texas Administrative Code (TAC)), the ERCOT Protocols, and ERCOT Other Binding Documents (OBDs). These do *not* include federal requirements.

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

Answer: The IMM identifies conduct by Market Participants on market rules that compromise the efficiency or distort the outcomes of the ERCOT markets and reports violating activity to the PUCT for enforcement. Additionally, the IMM issues periodic reports providing an independent assessment of the competitive performance and operational efficiency of the ERCOT market. ERM's jurisdiction is reliability-related, not necessarily market-related.

TRE is the North American Electric Reliability Corporation (NERC) Regional Entity for the ERCOT Region. Through a delegation agreement with NERC approved by the Federal Energy Regulatory Commission (FERC), TRE does the following:

- 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.

In other words, TRE monitors and reports on federal reliability requirements.

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

Answer: Pursuant to PURA § 39.151, ERCOT, Inc. is primarily the independent organization that ensures: (i) access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms; (ii) the reliability and

[1] Frequently Asked Questions (FAQs) updated October 26, 2026.

[2] TEXAS UTILITIES CODE §§ 11.001-44.008.

adequacy of the regional electrical network; (iii) that information relating to a customer's choice of retail electric provider is conveyed in a timely manner to persons needing that information; and (iv) that electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers in the ERCOT Region. ERCOT, Inc. is the independent system operator (ISO) independent of any producer or seller of electricity, which ensures its decisions are not unduly influenced by any producer or seller of electricity. The PUCT certified ERCOT as the ISO.

Pursuant to 16 TAC § 25.503(k), the ERM: (i) monitors, investigates, audits, and reports to the PUCT regarding compliance by market entities with state-level reliability-related requirements ; (ii) provides reliability-related subject-matter advice, expertise, and assistance to the PUCT in the conduct of its oversight and enforcement activities; and (iii) provides expert advice, analysis, reports, and testimony services relating to its analysis and findings as part of PUCT staff's cases in enforcement proceedings.

While ERCOT personnel supporting the ERM are also ERCOT employees, they operate independently, similar to how ERCOT's Internal Audit Department operates. Market entities subject to ERM's monitoring and investigation include ERCOT, Inc. as well as Market Participants.

4. If the ERM evaluates ERCOT'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 appointing ERCOT as the ERM requires that the ERM be led by individuals free from the undue influence of any individuals whose actions may impact the outcomes of any ERM activity.[3] 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.[4] ERCOT, Inc. has a history of transparency with the PUCT which includes routinely self-reporting violations of ERCOT Protocols and OBDs. Adding the ERM role does not change that transparency, nor the relationship between ERCOT, Inc. and the PUCT.

[3] *See Selection of the Reliability Monitor for the ERCOT Region*, PUCT Project No. 54248, Order Directing ERCOT to Serve as Reliability Monitor (Nov. 3, 2022).

[4] The Code of Conduct is filed with the PUCT in Project No. 54248.

5. Where are ERM employees housed within ERCOT's organization?

Answer: The ERM attorneys and support staff are a sub-team within the ERCOT Legal Department. The ERM subject matter experts (SMEs) are the Operations & Compliance (OPC) sub-team within ERCOT Compliance.

6. What happens where the ERCOT Protocols or other state-level reliability requirements overlap with the NERC Reliability Standards?

Answer: The ERM only has jurisdiction over matters involving state-level reliability requirements and because the NERC Reliability Standards are federal requirements they are not within the ERM's jurisdiction. NERC Standards remain the responsibility of NERC and TRE.

If a market entity's actions entail a potential violation of both a state-level reliability requirement and the NERC Reliability Standards, then it is possible that both ERM and TRE will independently investigate that event. Because of each entity's differing responsibilities in addition to the need to maintain confidentiality of investigations, ERM and TRE do not coordinate their respective investigations.

7. Will there be the potential for two fines, *e.g.,* one for violation of an ERCOT Protocol and another for violation of a NERC Reliability Standard?

Answer: The ERM has no role in determining fines. The PUCT retains sole authority to bring an enforcement action and levy fines. If a market entity violates a NERC Reliability Standard *and* a state-level reliability requirement, then two administrative penalties are possible.

8. Does ERM have a list of reliability requirements?

Answer: No, ERM determines whether a state-level requirement is reliability-related on a case-by-case basis.

9. What are the most common reliability requirement violations? Do they differ by type of Market Participant?

Answer: The ERM's webpage includes a breakdown of the top incident review types, categorized into energy-related, non-energy related, and administrative: https://www.ercot.com/about/reliability-monitor.

These could be different for Resource Entities, QSEs, or TDSPs, depending on which reliability requirement applies. For example, Primary Frequency Response (PFR) performance is the obligation of a Resource Entity on behalf of its Resource, while

maintaining and submitting an accurate Current Operating Plan (COP) is the QSE's obligation.

10. How does the ERM distinguish between an operational error, a systemic process issue, and a compliance violation?

Answer: The ERM does not distinguish between these. Whether an incident occurred due to an operational error or a systemic process issue, if it results in a violation of a state-level reliability requirement then ERM will refer it to the PUCT. DICE has discretion to take into consideration whether a violation was a one-off or more of a systemic issue when considering enforcement actions.

Investigation Process and Records Retention

11. Will ERM provide notice to market entities when an incident review is initiated?

Answer: The ERM will provide notice to the investigated market entity when it:

(1) opens an incident review;
(2) closes an incident review with no referral to the PUCT;
(3) refers an incident review to the PUCT for potential enforcement action; and
(4) plans to begin an audit (in the case of an audit of a class of Market Participants, ERM typically issues a Market Notice).

12. Will PUCT Staff from the Division of Compliance and Enforcement (DICE) be assigned to each ERM incident review?

Answer: Not during an ERM incident review. Once the ERM refers a matter to the PUCT, a member of DICE may be assigned.

13. What are the roles of PUCT Staff and of ERCOT during an ERM incident review?

Answer: During an incident review, PUCT Staff have no formal role; ERM may informally communicate with DICE while an incident review is pending. If the ERM determines during an incident review that a state-level reliability requirement was violated, then ERM will refer the completed incident review to the PUCT and then DICE staff will decide whether to open an enforcement action.

ERCOT personnel may assist ERM staff in performing an incident review in some instances. In such a case, the ERCOT employee must execute a Code of Conduct that requires him/her to, among other things, maintain confidentiality. That ERCOT

employee temporarily acting as an ERM employee will only have access to information related to the specific incident review for which they are enlisted.

14. What is the process for self-reporting a potential violation?

Answer: Market entities are encouraged to report any incident in which they believe a state-level reliability requirement may have been violated by emailing the ERM at ERM@ercot.com.

15. Is there a minimum number of days in which ERM will conduct incident reviews?

Answer: No. Because the ERM uses a risk-based approach to performing incident reviews, events having a greater impact on the ERCOT System may 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 should market entities expect regarding investigation timelines and status updates?

Answer: Investigation timelines may be lengthy depending on the complexity of the incident under investigation, the degree to which a violation impacts the reliability of the ERCOT System, and resource constraints.

In general, a market entity should expect to receive a notice when ERM opens an incident review, which will include the specific reliability requirements at issue (note that the reliability requirements at issue may change as the investigation proceeds depending on investigation findings). The ERM will then, in many cases, issue an RFI to the market entity under investigation. After analyzing the RFI response, the ERM determines whether a violation occurred.

If a violation is determined to have occurred, then ERM drafts a report describing the facts and applying the law to those facts. Upon completion of that report, the ERM refers the report to DICE at the PUCT. If the ERM determines that no violation of a state-level reliability requirement occurred, then ERM will close the incident review without drafting a report and will notify both the investigated market entity and DICE of its determination.

17. If my company received a notice from the ERM that an incident review was opened but we have not received an update from the ERM since then, should I reach out to the ERM for a status update?

Answer: There is no need to email the ERM to request a status update because the ERM will send notice to the market entity when the incident review is concluded,

whether because a determination was determined to have occurred and therefore that the incident review has been referred to the PUCT or because the ERM has closed the incident review because it determined that no violation occurred.

Because the ERM communicates with the market entity's Authorized Representative (AR) and Backup Authorized Representative (BAR), it is imperative that market entities keep the AR and BAR contact information up to date with ERCOT so that no communications are missed.

18. What is the required retention period for evidence?

Answer: No specific retention period exists. Entities should maintain evidence at least until the matter ends (through the ERM incident review and any PUCT enforcement action or subsequent appeal through the courts).

19. PUCT rule 16 TAC § 25.503(n) has a three-year record retention requirement. Does this apply to ERM investigations?

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.

20. Will there be a process to ensure that there will not be duplication of Requests for Information (RFIs) related to investigations from various agencies, e.g., separate RFIs from ERCOT, TRE, FERC, and PUCT?

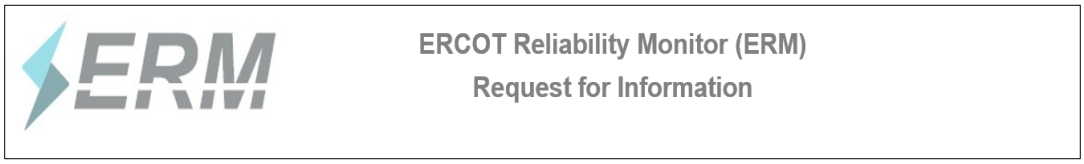
Answer: The ERM does not coordinate with the TRE, FERC, NERC, or other federal-level regulators. With respect to RFIs sent by ERCOT to a Market Participant, the ERM may be able to use responses to such RFIs in lieu of issuing its own RFIs, however this will be a case-by-case decision because the ERM may need to ask different questions than ERCOT did about an event.

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

Answer: No, because the ERM acts independently of ERCOT, it is important that an investigated Market Participant *not* copy ERCOT personnel on responses to the ERM.

22. How will I know if RFIs that I receive are from ERCOT in its role as the ISO or ERCOT in its role as ERM?

Answer: The ERM typically sends correspondence from the ERM@ercot.com email address or, if coming directly from an ERM employee, then that ERM employee will have an email signature that identifies them as part of the ERM. Additionally, RFIs from the ERM will state at the top of that they are ERM RFIs and will contain the ERM logo as follows:



23. How are corrective actions assessed, and what evidence demonstrates that a mitigation measure is sufficient?

Answer: The market entity may wish to provide evidence of a corrective action's efficacy in response to any ERM RFIs. The ERM has access to entity-level performance monitoring and if during an incident review ERM observes that a violation is continuing to occur then that is evidence that the corrective action was not sufficient or successful.

24. At what point does an ERM incident review transition into a formal enforcement matter, and what factors influence that decision?

Answer: Each incident review opened by the ERM will either by closed or referred to the PUCT. If the ERM determines that no violation occurred, then it will close the incident review. If the ERM determines that a violation did occur, then it will refer the completed incident review to the PUCT. After a referral to the PUCT, DICE retains sole discretion as to whether to open a formal enforcement matter.

Audits

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

Answer: Yes, ERM is required to perform at least one audit every year.

26. Will audits be event driven, such as when a loss of generation or frequency/voltage excursions occurs?

Answer: Audits may be instigated by an event or may be related to an area identified by ERM employees. 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.). Conversely, the ERM may decide that sufficient time has passed since a particular reliability requirement was audited such that a new audit of that requirement is merited.

27. Will market entities receive notice prior to an audit?

Answer: Yes, 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 M-A041723-01 issued on April 17, 2023.[5]

28. When ERM performs audits, will an audit be with one entity or multiple entities? Will audits be based upon function?

Answer: Depending on the subject matter, an ERM audit will likely involve either ERCOT or a class of Market Participants (e.g., Qualified Scheduling Entities (QSEs), Resource Entities, Transmission and/or Distribution Providers (TDSPs), etc.).

29. Will audits have a defined time period?

Answer: Yes, ERM audits typically have a defined time period subject to investigation. For example, in 2023 the ERM audited Market Participant compliance with the requirement to conduct reactive tests every five years and the audit assessed the last two test submittal dates, i.e., the term of the audit was from 2013 through 2023.

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

Answer: The ERM will not provide an audit report to a Market Participant. The ERM provides the audit report directly to the PUCT. Depending on the type of audit and its conclusions, the ERM may recommend areas for improvement to the PUCT.

[5] Refer to the Market Notices tab on the ERM webpage to access an archive of prior ERM-issued Market Notices: https://www.ercot.com/about/reliability-monitor.