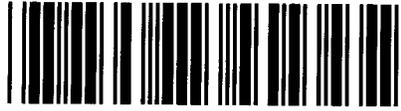




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2015 JUN 23 PM 1:08

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO AMERICAN §
ELECTRIC POWER TEXAS NORTH §
COMPANY'S VIOLATION OF PURA §
§ 39.151(j), 16 TAC § 25.503(f)(2), AND §
ERCOT PROTOCOLS § 3.3.2(b), §
RELATED TO TYPES OF WORK §
REQUIRING ERCOT APPROVAL §

PUBLIC UTILITY COMMISSION
OF TEXAS

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission or PUC) and American Electric Power Texas North Company (AEP TNC) (collectively, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes Commission Staff's investigation of AEP TNC for violation of PURA¹ § 39.151(j) and 16 Tex. Admin. Code § 25.503(f)(2) (TAC), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Protocols § 3.3.2(b), related to types of work that requires coordination with ERCOT.

The Parties agree as follows:

1. The Parties stipulate to the facts contained in the attached Proposed Order and request approval of the Order by the Commission.
2. The Commission has jurisdiction over the Parties to this proceeding and the subject matter of this Agreement.
3. ERCOT Protocols § 3.3.2(b) requires a Transmission Service Provider (TSP), Qualified Scheduling Entity (QSE), and Resource Entity to coordinate with ERCOT the requirements of § 3.10, Network Operations Modeling and Telemetry, certain types of work for any addition to, replacement of, or change to or removal from the ERCOT Transmission Grid:

(b) Equipment including circuit breakers, transformers, disconnects, and reactive devices.

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2007 & Supp. 2014) (PURA).

4. On January 14, 2014, a breaker protection system at the North San Angelo substation was disabled by AEP TNC maintenance personnel to perform unscheduled maintenance due to a forced, unplanned outage on a 69kV breaker (breaker 6070) without notification to ERCOT or the AEP TNC Transmission Dispatch Center (TDC). During the maintenance service, this breaker experienced mechanical issues which required remote breakers to trip in order to isolate the failed breaker resulting in multiple instances of short term loss of load. The total load lost was approximately 23 MWs.
5. On March 31, 2014, AEP TNC filed a Protocol Self-Report with the Texas Reliability Entity, Inc. (Texas RE).
6. Texas RE conducted an investigation of the Self-Report and, on June 5, 2014, concluded the breaker maintenance work should have proceeded with a "Planned Outage" request submitted to ERCOT a minimum of three days in advance per Protocols §§ 3.1.5.1 and 3.1.5.3(1).²
7. ERCOT Protocols § 3.1.5.1(1) states that "TSPs and Resource Entities shall request a Planned Outage or Maintenance Outage for their respective Transmission Facilities (i.e. Transmission Facilities owned by such Entities) that are part of the ERCOT Transmission Grid and defined in the Network Operations Model." Further, in the same section, it states "Specifically, such requests shall be made when a relevant Transmission Facility will be removed from its normal service. For TSP requests, the TSPs shall enter such requests in the Outage Scheduler."
8. Staff agreed with Texas RE's assessment that disabling protection systems without notice to ERCOT and the entity's Transmission Dispatch Center for a non-emergency condition presents risks to the ERCOT grid because it leaves the grid potentially vulnerable to uncleared faults and widespread outages. .
9. AEP TNC stated in their response to Texas RE's RFI that prior to the January 14, 2014 incident they had experienced three similar events in ERCOT since October of 2010. In all three prior events, ERCOT was not notified before the protection systems were

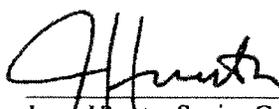
² Outage Scheduler User Guide For Transmission Operators, <http://www.ercot.com/content/services/mdt/userguides/wholesale/ERCOT%20Nodal%20Outage%20Scheduler%20User%20Guide%20for%20TSP%20v1.1.pdf>, (last visited June 9, 2015).

disabled. Each of these events was self-reported to Texas RE as a violation of NERC Standards.

10. AEP TNC was not assessed a penalty for any of the prior NERC Self-Reports. Instead, Texas RE required AEP to submit Mitigation Plans. On December 16, 2013, Texas RE received verification from AEP of the progress on the Mitigation Plans submitted in connection with the earlier NERC Standard Self-Reports. AEP TNC reported to Staff in accordance with their Mitigation Plans, training to personnel was completed March 5, 2015.
11. Staff took note that the Protocol Self-Report for the January 14, 2014 incident is similar to the three prior NERC Self-Reported events in that protection systems were disabled by field personnel without prior notice to, or coordination with, ERCOT.
12. Commission Staff recommends, and AEP TNC agrees to pay, an administrative penalty of Twenty One Thousand Dollars (\$21,000) in full and final settlement of the alleged violations described in the attached Proposed Order.
13. This Agreement resolves all claims related to AEP TNC's obligations pursuant to PURA § 39.151(j), and 16 TAC § §25.503(f)(2), concerning failure to adhere to ERCOT Protocols § 3.3.2(b), related to types of work requiring coordination with ERCOT.
14. Unless specifically provided for in this Agreement, AEP TNC waives any notice and procedures that might otherwise be authorized or required in this proceeding.
15. Nothing in this Agreement shall limit Commission Staff's ability to perform its enforcement functions as set forth in PURA and the Commission's rules.
16. A Party's support of the resolution of this docket in accordance with this Agreement may differ from its position or testimony regarding contested issues of law, policy, or fact in other proceedings before the Commission or other forums. Because this is a settlement agreement, a Party is under no obligation to take the same position as set out in this Agreement in other proceedings not referenced in this Agreement whether those dockets present the same or a different set of circumstances. The Parties' agreement to entry of a final order of the Commission consistent with this Agreement should not be regarded as an agreement as to the appropriateness or correctness of any assumptions, methodology, or legal or regulatory principle that may have been employed in reaching this Agreement.

17. The Parties contemplate that this Agreement will be approved pursuant to 16 TAC § 22.246(g)(1)(C). In the event the Commission materially changes the terms of this Agreement, the Parties agree that any Party adversely affected by that material alteration has the right to withdraw from this Agreement, thereby becoming released from its obligations arising hereunder, and to proceed as otherwise permitted by law to exercise all rights available under law. The right to withdraw must be exercised by providing the other Party written notice within 20 calendar days of the date the Commission files the final order acting on this Agreement. Failure to provide such notice within the specified time period shall constitute a waiver of the right to withdraw and acceptance of the material changes to this Agreement made by the Commission.
18. This Agreement is the final and entire agreement between the Parties regarding its terms and supersedes all other communications among the Parties or their representatives regarding its terms.
19. Each person executing this Agreement represents that he or she has been authorized to sign on behalf of the Party represented. Copies of signatures are valid to show execution. If this Agreement is executed in multiple counterparts, each is deemed an original but all of which constitute the same Agreement.
20. AEP TNC warrants that it has read this Agreement carefully, knows the contents thereof, and signs the same as its free act.

EXECUTED by the Parties by their authorized representatives designated below.



Jerry Huerta, Senior Counsel
State Bar No. 24004709
AEP Service Corporation
400 West 15th. St., Suite 1520
Austin, Texas 78701
(512) 481-3323
Attorney for AEP Texas North Company

Date: 6/22/2015



Taylor Kilroy
Attorney
Oversight and Enforcement Division
Public Utility Commission of Texas

Date: 6/23/15

DOCKET NO. _____

AGREED NOTICE OF VIOLATION	§	
AND SETTLEMENT AGREEMENT	§	
RELATING TO AMERICAN	§	
ELECTRIC POWER TEXAS NORTH	§	PUBLIC UTILITY COMMISSION
COMPANY'S VIOLATION OF PURA	§	
§ 39.151(j), 16 TAC § 25.503(f)(2), AND	§	OF TEXAS
ERCOT PROTOCOLS § 3.3.2(b),	§	
RELATED TO TYPES OF WORK	§	
REQUIRING ERCOT APPROVAL	§	

PROPOSED ORDER

Pursuant to 16 Tex. Admin. Code § 22.246(g)(1)(C) (TAC), this Order approves the Settlement Agreement and Report to Commission (Agreement) between the Staff of the Public Utility Commission of Texas (Commission) and American Electric Power Texas North Company (AEP TNC) (collectively, Parties) regarding Commission Staff's investigation of AEP TNC for violation of PURA¹ § 39.151(j) and 16 TAC § 25.503(f)(2), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Protocols § 3.3.2(b), related to types of work requiring coordination with ERCOT. Commission Staff recommended an administrative penalty of \$21,000, which AEP TNC agreed to pay. The Agreement is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. FINDINGS OF FACT

1. On January 14, 2014 a breaker protection system at the North San Angelo substation was disabled by AEP maintenance personnel to perform unscheduled maintenance due to a forced, unplanned outage on a 69kV breaker (breaker 6070) without notification to ERCOT or the AEP Transmission Dispatch Center (TDC). During the maintenance service, this breaker experienced mechanical issues which required remote breakers to trip in order to isolate the failed breaker resulting in multiple instances of short term loss of load.

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2007 & Supp. 2014) (PURA).

2. On March 31, 2014 AEP TNC filed a Protocol Self-Report with the Texas Reliability Entity, Inc. (Texas RE).
3. Texas RE conducted an investigation of the Self-Report and on June 5, 2014 concluded the breaker maintenance work should have proceeded with a "Planned Outage" request submitted to ERCOT a minimum of three days in advance per Protocols § 3.1.5.1 and § 3.1.5.3(1).
4. ERCOT Protocols § 3.1.5.1(1) states that "TSPs and Resource Entities shall request a Planned Outage or Maintenance Outage for their respective Transmission Facilities (i.e. Transmission Facilities owned by such Entities) that are part of the ERCOT Transmission Grid and defined in the Network Operations Model." Further in the same section, it states, "Specifically, such requests shall be made when a relevant Transmission Facility will be removed from its normal service. For TSP requests, the TSPs shall enter such requests in the Outage Scheduler."
5. Staff agreed with Texas RE's assessment that disabling protection systems without notice to ERCOT and the entity's Transmission Dispatch Center for a non-emergency condition presents risks to the ERCOT grid because it leaves the grid potentially vulnerable to un-cleared faults and widespread outages. .
6. AEP TNC stated in their response to Texas RE's Request for Information (RFI) that prior to January 14, 2014 incident they had experienced three similar events in ERCOT since October 2010. In all three prior events, ERCOT was not notified before the protection systems were disabled. Each of these events was self-reported to Texas RE as a violation of NERC Standards.
7. AEP TNC was not assessed a penalty for any of the prior NERC Self-Reports. Instead, Texas RE required AEP TNC to submit Mitigation Plans. On December 16, 2013, Texas RE received verification from AEP TNC of the progress on the Mitigation Plans submitted in connection with the earlier NERC Standard Self-Reports. AEP TNC reported to Staff in accordance with their Mitigation Plans, training to personnel was completed March 5, 2015.
8. Staff took note that the Protocol Self-Report for the January 14, 2014 incident is similar to the three prior NERC Self-Reported events in that protection systems were disabled by

field personnel without prior notice to, or approval by, ERCOT. In addition, the January 14, 2014 event occurred less than one month after TRE validated AEP TNC's Mitigation Plans.

9. AEP TNC fully cooperated with Commission Staff's investigation.
10. AEP TNC does not dispute the alleged violations detailed in this Order.
11. AEP TNC participated in one or more settlement discussions with Commission Staff to resolve this matter.
12. On June 22, 2015, the Parties entered into the Agreement resolving the alleged violations. Commission Staff recommended, and AEP TNC agreed to pay, an administrative penalty of \$21,000.
13. The Agreement provides for a reasonable resolution of this dispute.

II. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to PURA §§ 14.001, 14.002, 14.003, 14.051, 15.023, 15.024, and 39.151(d).
2. AEP TNC was provided proper notice of Commission Staff's investigation in this matter, the results of the investigation, information about its right to a hearing, and an opportunity to explain its activities.
3. ERCOT Protocols § 3.1.5.1(1) states that "TSPs and Resource Entities shall request a Planned Outage or Maintenance Outage for their respective Transmission Facilities (i.e. Transmission Facilities owned by such Entities) that are part of the ERCOT Transmission Grid and defined in the Network Operations Model." Further in the same section, it states "Specifically, such requests shall be made when a relevant Transmission Facility will be removed from its normal service. For TSP requests, the TSPs shall enter such requests in the Outage Scheduler."
4. AEP TNC failed to meet the performance criteria of ERCOT Protocols § 3.3.2(b) on January 14, 2014. Therefore, AEP TNC violated PURA § 39.151(j) and the requirements of 16 TAC § 25.503(f)(2).

5. 16 TAC § 22.246(g)(1)(A), (B), and (C) require issuance of a report of a settlement to the Commission and a written order that approves the settlement.
6. The Agreement is a report of settlement to the Commission as required by 16 TAC § 22.246(g).
7. This docket was processed in accordance with applicable statutes and Commission rules.
8. The requirements for informal disposition pursuant to 16 TAC § 22.35 have been met in this proceeding.

III. ORDERING PARAGRAPHS

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. The Agreement, attached to this Order as Attachment 1, is approved, and the Parties shall be bound by its terms.
2. AEP TNC shall pay an administrative penalty to the Commission in the amount of \$21,000. AEP TNC shall remit payment of the full amount of the administrative penalty on or before thirty (30) calendar days after the date this Order is signed. Payment of the administrative penalty shall be made by check payable to the Public Utility Commission of Texas or by Electronic Funds Transfer and shall reference this docket. If paid by check, the check shall be sent to the following address:

Public Utility Commission of Texas
P.O. Box 13326
Austin, Texas 78711
ATTN: Fiscal Services
3. AEP TNC shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. This order disposes of all issues regarding AEP TNC's performance pursuant to PURA, the Commission's Substantive Rules, and the ERCOT Protocols.
5. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised here.

6. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Agreement. Entry of this Order shall not be regarded as a binding holding or precedent as to the appropriateness of any principle or methodology underlying the Agreement.
7. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other request for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS the _____ day of _____, 2015.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY MARTY MARQUEZ, COMMISSIONER