

Control Number: 45493



Item Number: 1

Addendum StartPage: 0

DOCKET NO. 45493

RECEIVED

2016 JAN -4 PM 4:17

PUBLIC UTILITY COMMISSION
REGULATING CLERK

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO CITY OF AUSTIN §
d/b/a AUSTIN ENERGY'S §
VIOLATION OF PURA § 39.151(j); 16 §
TAC § 25.503(f)(2); ERCOT §
PROTOCOLS § 8.5.1.1; AND ERCOT §
OPERATING GUIDE §§ 2.2.8 AND §
2.3.1.2, RELATING TO PRIMARY §
FREQUENCY RESPONSE §

PUBLIC UTILITY COMMISSION
OF TEXAS

APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENT

Commission Staff and the City of Austin b/d/a Austin Energy (Austin Energy) have entered into a Settlement Agreement and Report to Commission.

The Agreement, attached to this motion, has been signed by representatives of both parties and includes a Proposed Order. This Agreement resolves and concludes Commission Staff's investigation of Austin Energy for violations of PURA¹ § 39.151(j), 16 Tex. Admin. Code § 25.503(f)(2), ERCOT Protocols § 8.5.1.1 and ERCOT Operating Guide §§ 2.2.8 and 2.3.1.2 relating to primary frequency response.

Commission Staff respectfully requests that its Application for Approval of Settlement Agreement be granted.

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

Respectfully Submitted,

Robert M. Long
Division Director
Oversight and Enforcement Division



Kaitlin E. Van Zee

Attorney, Oversight and Enforcement Division

State Bar No. 24080099

(512) 936-7065

(512) 936-7208 (facsimile)

Public Utility Commission of Texas

1701 N. Congress Avenue

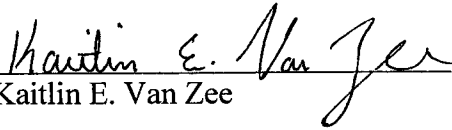
P.O. Box 13326

Austin, Texas 78711-3326

kaitlin.vanzee@puc.texas.gov

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 5th day of January, 2016 in accordance with 16 Tex. Admin. Code § 22.74.


Kaitlin E. Van Zee

DOCKET NO. _____

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO CITY OF AUSTIN d/b/a §
AUSTIN ENERGY'S VIOLATION OF §
PURA § 39.151(j); 16 TAC § 25.503(f)(2); § PUBLIC UTILITY COMMISSION
ERCOT PROTOCOLS § 8.5.1.1; AND §
ERCOT OPERATING GUIDE §§ 2.2.8 § OF TEXAS
AND 2.3.1.2, RELATING TO PRIMARY §
FREQUENCY RESPONSE §
§
§

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas and the City of Austin d/b/a Austin Energy (Austin Energy) enter into this Settlement Agreement and Report to Commission. This agreement resolves Commission staff's investigation of Austin Energy and its Generation Resources SANDHSYD_CC1 and DECKER_DPG2 for violations of Section 39.151(j) of the Public Utility Regulatory Act¹ (PURA); 16 Tex. Admin. Code § 25.503(f)(2) (TAC), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Protocols § 8.5.1.1, relating to governor in service; and, ERCOT Operating Guide §§ 2.2.8 and 2.3.1.2, relating to primary frequency response (PFR).

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. Commission staff recommends, and Austin Energy agrees to pay, an administrative penalty of forty thousand dollars (\$40,000) as the final settlement of the fourteen alleged violations described in the attached Proposed Order.
3. The Commission has jurisdiction over the parties and the subject matter of this agreement.
4. The term Generation Resource is defined in ERCOT Protocols § 2.1.

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

5. Pursuant to ERCOT Protocols § 8.5.1.1, “At all times an All-Inclusive Generation Resource is On-Line, its Governor must remain in service and be allowed to respond to all changes in system frequency except during startup, shutdown, or testing. A Generation Entity may not reduce Primary Frequency Response on an individual All-Inclusive Generation Resource even during abnormal conditions without ERCOT’s consent [conveyed by way of the Generation Entity’s Qualified Scheduling Entity (QSE)] unless equipment damage is imminent. All Generation Resources that have capacity available to either increase output or decrease output in Real-Time must provide Primary Frequency Response, which may make use of that available capacity. Only Generation Resources providing Regulation Up (Reg-Up), Regulation Down (Reg-Down), Responsive Reserve (RRS), or Non-Spinning Reserve (Non-Spin) from On-Line Resources, as specified in Section 8.1.1, QSE Ancillary Service Performance Standards, shall be required to reserve capacity that may also be used to provide Primary Frequency Response.”²
6. If a Generation Resource is providing ancillary services, including Responsive Reserve Service (“RRS”), that Generation Resource must reserve capacity that may be used to provide PFR.³
7. For Generation Resources providing RRS, ERCOT Protocols § 8.1.1.4.2(2) states that “For all Measurable Events, ERCOT shall use the recorded data for each two-second scan rate value of real power output for each Generation Resource, Controllable Load Resource. ERCOT shall use the recorded MW data beginning one minute before the start of the frequency excursion event until ten minutes after the start of the frequency excursion event. Satisfactory performance must be measured by comparing actual Primary Frequency Response to the expected Primary Frequency Response as required in the Operating Guides.”
8. In order to prevent future PFR noncompliance, Austin Energy asserts that: (1) it voluntarily participated in the field study in connection with the BAL-001-TRE NERC

² Additionally, ERCOT Operating Guide § 2.2.8 states that “all generators (except nuclear and wind) must respond to frequency disturbances...unless limited by a High Sustained Limit (HSL) or other limits filed with ERCOT including duct burning on combined-cycle units.”

³ ERCOT Protocols § 8.5.1.1.

Reliability Standard; (2) it modified the control system logic at its Sand Hill Energy Center in 2013; and (3) repaired damage inside the unit which had lowered the unit's ability to provide PFR during the TRE Study Period.

9. This agreement resolves all claims related to Austin Energy's obligations pursuant to PURA § 39.151(j); 16 TAC § 25.503(f)(2), concerning the alleged failure to adhere to ERCOT Protocols § 8.5.1.1, relating to governor in service; and ERCOT Operating Guide §§ 2.2.8 and 2.3.1.2, relating to primary frequency response.
10. Unless specifically provided for in this agreement, Austin Energy waives any notice and procedures that might otherwise be authorized or required in this proceeding.
11. Nothing in this agreement limits Commission staff's ability to perform its enforcement functions as set forth in PURA and TAC.
12. 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.
13. The parties acknowledge that neither this agreement nor any consideration provided under this agreement may be taken or construed to be an admission of any party of the allegations made by any other party.
14. 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 constitutes a waiver of the right to withdraw and acceptance of the material changes to this agreement made by the Commission.

15. This agreement is the entire agreement between the parties regarding its terms and supersedes all other communications among the parties or their representatives regarding its terms.
16. Each person signing this agreement is 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, taken together, constitute the same agreement.
17. Austin Energy warrants that it has read this agreement carefully, knows its contents, and signs it as its free act.

EXECUTED by the parties by their authorized representatives designated below.

Elaina Ball

Date: 12-31-15

Elaina Ball
Interim Chief Operating Officer
City of Austin d/b/a Austin Energy
721 Barton Springs Road
Austin Energy, TX 78704

SRP

Kaitlin E. Van Zee

Date: 1-4-16

Kaitlin E. Van Zee
Attorney
Oversight and Enforcement Division
Public Utility Commission of Texas

DOCKET NO. _____

AGREED NOTICE OF VIOLATION	§	PUBLIC UTILITY COMMISSION
AND SETTLEMENT AGREEMENT	§	
RELATING TO CITY OF AUSTIN d/b/a	§	OF TEXAS
AUSTIN ENERGY'S VIOLATION OF	§	
PURA § 39.151(j); 16 TAC §25.503(f)(2);	§	
ERCOT PROTOCOLS § 8.5.1.1; AND	§	
ERCOT OPERATING GUIDE §§ 2.2.8	§	
AND 2.3.1.2, RELATING TO PRIMARY	§	
FREQUENCY RESPONSE	§	
	§	
	§	
	§	

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 the City of Austin d/b/a Austin Energy (Austin Energy), regarding Commission staff's investigation of Austin Energy and the Generation Resources SANDHSYD_CC1 and DECKER_DPG2, a violation of PURA¹ § 39.151(j); 16 TAC § 25.503(f)(2), concerning alleged failure to adhere to Electric Reliability Council of Texas, Inc. (ERCOT) Protocols § 8.5.1.1; and ERCOT Operating Guide §§ 2.2.8 and 2.3.1.2, relating to primary frequency response (PFR). The Agreement resolves all issues in this docket. Commission staff recommended an administrative penalty of forty thousand dollars (\$40,000), which Austin Energy agreed to pay. The Agreement is approved.

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

I. Findings of Fact

1. Austin Energy is an authorized Resource Entity (RE), as defined by ERCOT Protocols § 2.1.
2. SANDHSYD_CC1 and DECKER_DPG2 are Generation Resources, as defined by ERCOT Protocols § 2.1.

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

3. Austin Energy is the RE for Generation Resources SANDHSYD_CC1 and DECKER_DPG2.
4. In the summer of 2012, the Texas Reliability Entity (TRE) initiated a review of PFR performance data provided by ERCOT. TRE studied nine months of data beginning with October 2011 and ending with June 2012 (the TRE Study Period).
5. PFR is a reliability tool used by ERCOT to ensure that the electrical grid is operating at the required system-wide target frequency of 60 hertz.
6. PFR is the initial reliability tool used by ERCOT during a frequency event. PFR occurs automatically and immediately through the use of a governor mechanism, often in the first 12 to 14 seconds following a measurable frequency event.
7. Commission staff alleges that SANDHSYD_CC1 failed to provide adequate PFR during 13 of 20 measureable events and that, during the TRE Study Period, four failures occurred while SANDHSYD_CC1 was providing RRS and was therefore required to reserve capacity to provide PFR.
8. Commission staff alleges that DECKER_DPG2 failed to provide adequate PFR during 1 of 8 measureable events and that, during the TRE Study Period, one failure occurred while DECKER_DPG2 was providing RRS and was therefore required to reserve capacity to provide PFR.
9. On or about June 15, 2015, Austin Energy 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.
10. Austin Energy fully cooperated with Commission staff's investigation.
11. Austin Energy participated in one or more settlement discussions with Commission staff to resolve this matter.
12. Austin Energy asserts it took measures to prevent future PFR noncompliance.
13. On January 4, 2016, the parties entered into the Agreement resolving the alleged violations. Commission staff recommended, and Austin Energy agreed to pay, an administrative penalty of forty thousand dollars (\$40,000).
14. 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(j).
2. Austin Energy 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. If a Generation Resource is providing ancillary services, including Responsive Reserve Service, that Generation Resource must reserve capacity that may be used to provide PFR.²
4. 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.
5. The Agreement is a report of settlement to the Commission as required by 16 TAC § 22.246(g).
6. This docket was processed in accordance with applicable statutes and Commission rules.
7. 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 are bound by its terms.
2. Austin Energy shall pay an administrative penalty to the Commission in the amount of forty thousand dollars (\$40,000). Austin Energy shall remit the full payment on or before the 30th calendar day after the date this Order is signed. Payment may be made by check payable to the Public Utility Commission of Texas or by Electric Funds Transfer and shall must reference this docket. When paying by check, the check shall be sent to the following address:

² ERCOT Protocols § 8.5.1.1.

Public Utility Commission of Texas
P.O. Box 13326
Austin, Texas 78711
ATTN: Fiscal Services

3. Austin Energy shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. The Commission is not constrained in any manner from requiring additional action or penalties for violations that are not raised here.
5. 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 may not be regarded as a binding holding or precedent as to the appropriateness of any principle or methodology underlying the Agreement.
6. 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 _____, 2016.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY MARTY MARQUEZ, COMMISSIONER