



Control Number: 46724



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DOCKET NO. \_\_\_\_\_

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AGREED NOTICE OF VIOLATION §  
 AND SETTLEMENT AGREEMENT §  
 RELATING TO LUMINANT ENERGY §  
 COMPANY LLC'S VIOLATIONS OF §  
 PURA § 39.151(j) AND 16 TAC §  
 § 25.503(f)(2) RELATED TO §  
 OVERSIGHT OF WHOLESALE §  
 MARKET PARTICIPANTS, AND §  
 ERCOT PROTOCOLS § 8.1.1.4.2(1)(a), §  
 RELATED TO PERFORMANCE  
 CRITERIA FOR RESPONSIVE  
 RESERVE SERVICE ENERGY  
 DEPLOYMENT CRITERIA

PUBLIC UTILITY COMMISSION

OF TEXAS

PUBLIC UTILITY COMMISSION  
CLERK

**APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENT**

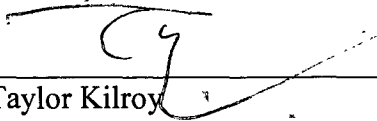
Staff of the Public Utility Commission of Texas (Commission) files this Application for Approval of Settlement Agreement and would show in support as follows:

Commission Staff and Luminant Energy Company LLC (Luminant) (together, Parties) have entered into a Settlement Agreement and Report to Commission (Agreement). 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 Luminant for violation of PURA § 39.151(j) and 16 Tex. Admin. Code § 25.503(f)(2) (TAC), related to Oversight of Wholesale Market Participants, and ERCOT Protocols § 8.1.1.4.2(1)(a).

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

Respectfully Submitted,

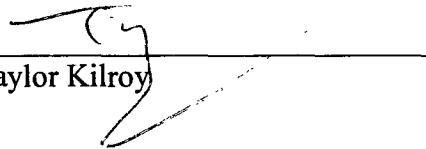
Robert M. Long  
Division Director  
Oversight and Enforcement Division



Taylor Kilroy  
Attorney, Oversight and Enforcement Division  
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Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
taylor.kilroy@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 4<sup>th</sup> day of January, 2017 in accordance with 16 Tex. Admin. Code § 22.74 (TAC).



Taylor Kilroy

ATTACHMENT 1

DOCKET NO. \_\_\_\_\_

AGREED NOTICE OF VIOLATION	§	PUBLIC UTILITY COMMISSION
AND SETTLEMENT AGREEMENT	§	
RELATING TO LUMINANT ENERGY	§	OF TEXAS
COMPANY LLC'S VIOLATIONS OF	§	
PURA § 39.151(j), 16 TAC § 25.503(f)(2),	§	
RELATED TO OVERSIGHT OF	§	
WHOLESALE MARKET	§	
PARTICIPANTS, AND ERCOT	§	
PROTOCOLS § 8.1.1.4.2(1)(a),	§	
RELATED TO PERFORMANCE	§	
CRITERIA FOR RESPONSIVE	§	
RESERVE SERVICE ENERGY	§	
DEPLOYMENT CRITERIA	§	

**SETTLEMENT AGREEMENT AND REPORT TO COMMISSION**

Staff of the Public Utility Commission of Texas (Commission) and Luminant Energy Company LLC (Luminant), a Qualified Scheduling Entity (QSE) in the Electric Reliability Council of Texas (ERCOT), (together, Parties) enter into this Settlement Agreement and Report to the Commission (Agreement). This Agreement resolves and concludes Commission Staff's investigation of Luminant for violations of Section 39.151(j) of the Public Utility Regulatory Act<sup>1</sup> (PURA) and 16 Tex. Admin. Code (TAC) § 25.503(f)(2), concerning compliance with ERCOT Protocols § 8.1.1.4.2(1)(a).

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 this matter pursuant to PURA §§ 14.001, 14.002, 14.003, 14.051, 15.023, 15.024, and 39.151(j).

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-58.303 (West 2016), §§ 59.001-66.017 (West 2007 & Supp. 2016) (PURA).

3. Commission Staff recommends and Luminant agrees to pay an administrative penalty of one hundred seventy thousand dollars (\$170,000.00) for the violations described in the attached Proposed Order.
4. Luminant is the QSE for the Resource Entity (RE) Luminant Generation Company LLC.
5. ERCOT Protocols § 8.1.1.4.2(1)(a) states that “[w]ithin one minute following a deployment instruction, the QSE must update the telemetered Ancillary Service Schedule for RRS for Generation Resources and Load Resources to reflect the deployment amount. The difference between the sum of the QSE’s Resource RRS schedules and the sum of the QSE’s Resource RRS responsibilities must be equal to the QSE’s total RRS deployment instruction, excluding the deployment to Load Resources which are not Controllable Load Resources.”
6. QSEs are required to update their Ancillary Service schedules within one minute after ERCOT issues an RRS deployment instruction so that RRS energy can be timely dispatched by ERCOT’s computer system (Security Constrained Economic Dispatch, or SCED). If the Ancillary Service Schedules are not timely updated, then the RRS capacity that has been reserved for a frequency event is not available for dispatch by SCED even though it may be reserved. A review of ERCOT’s Responsive Reserve Performance Report for Generators & CLRs for the months of May, June, and July of 2015 indicated that there were eleven instances where Luminant had not updated its Ancillary Service Schedules in response to RRS deployments in accordance with ERCOT Protocols § 8.1.1.4.2(1)(a).
7. Luminant implemented a new Generation Control System (GCS) in April 2015 and the new GCS did not update its ancillary service schedules due to a software glitch.
8. Upon a follow-up notification by ERCOT regarding its repeated failures to update its ancillary service schedules during the months of May, June, and July of 2015, Luminant implemented a workaround solution to the software glitch.
9. Commission Staff contends that Luminant violated ERCOT Protocols § 8.1.1.4.2(1)(a) on eleven separate occasions during the months of May, June, and July of 2015.

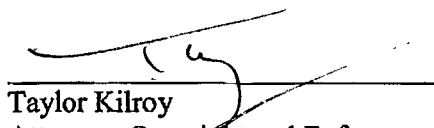
10. This Agreement represents a compromise of claims and allegations, and the execution of this Agreement does not admit the truth or accuracy of any such disputed claims except as set forth in the Agreement.
11. This Agreement fully and finally resolves all claims for any violations specifically described herein or that may be said to exist arising from the facts described herein.
12. Unless specifically provided for in this Agreement, Companies waive any notice and procedures that might otherwise be authorized or required in this proceeding.
13. 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.
14. 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 asserted or employed in reaching this Agreement.
15. 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.

16. 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.
17. 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 constitute the same Agreement.
18. Each of the parties warrants that it has read this Agreement carefully, knows the contents thereof, and signs the same as its free act.

**EXECUTED** by the Parties through their authorized representatives designated below.

  
\_\_\_\_\_  
Samuel Siegel  
Managing Counsel, Compliance  
State Bar No. 24066083  
(214) 812-0070  
(214) 875-8660 (facsimile)  
Luminant Energy Company LLC  
1601 Bryan Street, 22<sup>nd</sup> Floor  
Dallas, TX 75201  
[samuel.siegel@luminant.com](mailto:samuel.siegel@luminant.com)

Date: 11/3/17

  
\_\_\_\_\_  
Taylor Kilroy  
Attorney, Oversight and Enforcement Division  
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Public Utility Commission of Texas  
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P.O. Box 13326  
Austin, Texas 78711-3326  
[taylor.kilroy@puc.texas.gov](mailto:taylor.kilroy@puc.texas.gov)

Date: 11/3/17

**DOCKET NO.**

<b>AGREED NOTICE OF VIOLATION</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>AND SETTLEMENT AGREEMENT</b>	<b>§</b>	
<b>RELATING TO LUMINANT ENERGY</b>	<b>§</b>	<b>OF TEXAS</b>
<b>COMPANY LLC'S VIOLATIONS OF</b>	<b>§</b>	
<b>PURA § 39.151(j), 16 TAC § 25.503(f)(2),</b>	<b>§</b>	
<b>RELATED TO OVERSIGHT OF</b>	<b>§</b>	
<b>WHOLESALE MARKET</b>	<b>§</b>	
<b>PARTICIPANTS, AND ERCOT</b>	<b>§</b>	
<b>PROTOCOLS § 8.1.1.4.2(1)(a),</b>	<b>§</b>	
<b>RELATED TO PERFORMANCE</b>	<b>§</b>	
<b>CRITERIA FOR RESPONSIVE</b>	<b>§</b>	
<b>RESERVE SERVICE ENERGY</b>	<b>§</b>	
<b>DEPLOYMENT CRITERIA.</b>	<b>§</b>	

**PROPOSED ORDER**

Pursuant to 16 Tex. Admin. Code (TAC) § 22.246(g)(1)(C), this Order approves the Settlement Agreement and Report to Commission (Agreement) between the Staff of the Public Utility Commission of Texas (Commission) and Luminant Energy Company LLC (Luminant), (collectively, the Parties) regarding Commission Staff's investigation of Luminant for violations of Section 39.151(j) of the Public Utility Regulatory Act;<sup>2</sup> 16 TAC § 25.503(f)(2), related to oversight of wholesale market participants; and Electric Reliability Council of Texas, Inc. (ERCOT) Protocols § 8.1.1.4.2(1)(a), related to Responsive Reserve Service (RRS) Energy Deployment Criteria. The Agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of one hundred seventy thousand dollars (\$170,000), which Luminant agreed to pay. The Agreement is approved.

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

**I. Findings of Fact**

1. Luminant is an authorized qualified scheduling entity (QSE), as defined by ERCOT Protocols § 2.1.

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<sup>2</sup> Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2007 & Supp. 2015) (PURA).



2. ERCOT Protocols § 8.1.1.4.2(1)(a) states that “[w]ithin one minute following a deployment instruction, the QSE must update the telemetered Ancillary Service Schedule for RRS for Generation Resources and Load Resources to reflect the deployment amount. The difference between the sum of the QSE’s Resource RRS schedules and the sum of the QSE’s Resource RRS responsibilities must be equal to the QSE’s total RRS deployment instruction, excluding the deployment to Load Resources which are not Controllable Load Resources.”
3. QSEs are required to update their Ancillary Service schedules within one minute after ERCOT issues an RRS deployment instruction so that RRS energy can be timely dispatched by ERCOT’s computer system (Security Constrained Economic Dispatch, or SCED). If the Ancillary Service Schedules are not timely updated, then the RRS capacity that has been reserved for a frequency event is not available for dispatch by SCED, even though the capacity may be reserved.
4. ERCOT’s Responsive Reserve Performance Report for Generators & CLRs for the months of May, June, and July of 2015 indicated that there were eleven instances where Luminant had not updated its Ancillary Service Schedules in response to RRS deployments in accordance with ERCOT Protocols § 8.1.1.4.2(1)(a).
5. Luminant stated that it had implemented a new Generation Control System (GCS) in April 2015 and that the new GCS did not update its ancillary service schedules due to a software glitch.
6. Luminant did not update its RRS schedule within one minute of the RRS deployment on eleven separate occasions during May, June and July 2015.
7. Luminant fully cooperated with Commission Staff’s investigation.
8. Luminant participated in one or more settlement discussions with Commission Staff to resolve this matter.
9. On January 3, 2016, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and Luminant agreed to pay an administrative penalty of one hundred seventy thousand dollars (\$170,000).

10. 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. Luminant 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. Under ERCOT Protocols § 8.1.1.4.2(1)(a), if a QSE is providing RRS, "within one minute following a deployment instruction, the QSE must update the telemetered ancillary service schedule for RRS."
4. PURA § 39.151(j) requires compliance with all ERCOT scheduling, operating, planning, reliability, and settlement policies, rules, guidelines, and procedures.
5. Under 16 TAC § 25.503(f)(2) market participants are required to comply with ERCOT procedures and any official interpretation of the Protocols issued by ERCOT or the Commission.
6. Under 16 TAC § 22.246(g)(1)(A), (B), and (C) a report of a settlement to the Commission and a written order that approves the settlement shall be issued to the Commission.
7. The Agreement is a report of settlement to the Commission as required by 16 TAC § 22.246(g).
8. This docket was processed in accordance with applicable statutes and Commission rules.
9. The requirements for informal disposition under 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, provided with this Order as Attachment 1, is approved, and the Parties shall be bound by its terms.

2. Luminant shall pay an administrative penalty to the Commission in the amount of one hundred seventy thousand dollars (\$170,000). Luminant 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 may be made by check payable to the Public Utility Commission of Texas and shall reference this docket. If paying 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. Luminant shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised herein.
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 shall 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.

Docket No.

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Signed at Austin, Texas the \_\_\_\_\_ day of January 2017.

**PUBLIC UTILITY COMMISSION OF TEXAS**

\_\_\_\_\_  
**DONNA L. NELSON, CHAIRMAN**

\_\_\_\_\_  
**KENNETH W. ANDERSON, JR., COMMISSIONER**

\_\_\_\_\_  
**BRANDY MARTY MARQUEZ, COMMISSIONER**