

Control Number: 40477



Item Number: 6

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DOCKET NO. 40477

AGREED NOTICE OF VIOLATION AND §  
SETTLEMENT AGREEMENT §  
RELATING TO AEP TEXAS CENTRAL §  
AND AEP TEXAS NORTH COMPANY'S §  
(TSP) VIOLATION OF PURA § 39.151 §  
AND PUC SUBST. R. 25.503(f)(2), §  
RELATING TO FAILURE TO ADHERE §  
TO ERCOT OPERATING GUIDE §  
§ 4.5.3(7), RELATING TO MANUAL §  
LOAD SHEDS §

PUBLIC UTILITY COMMISSION  
OF TEXAS

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PUBLIC UTILITY COMMISSION  
FILING CLERK

ORDER

Pursuant to P.U.C. PROC. R. 22.246(g)(1)(C), this Order addresses the Settlement Agreement and Report to Commission (Agreement) between the Staff of the Public Utility Commission of Texas (Commission) and AEP Texas Central Company and AEP Texas North Company (AEP Texas), (together, Parties) regarding Commission Staff's investigation of AEP Texas for violation of PURA<sup>1</sup> § 39.151(j) and P.U.C. SUBST. R. 25.503(f)(2), concerning failure to adhere to Electric Reliability Council of Texas, Inc. (ERCOT) Operating Guide § 4.5.3(7)(a) concerning EEA implementation during an EEA Level 3 which occurred on February 2, 2011. The Agreement resolves all of the issues of this docket. Commission Staff recommended an administrative penalty of \$68,500, which AEP Texas has 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 February 2, 2011, in response to declining grid conditions, ERCOT entered into Level 3 of an Energy Emergency Alert (EEA) event and directed Transmission Operators to shed 1,000 MW of load at 5:45 a.m. A second directive for an additional 1,000 MW of load shed occurred at 6:04 a.m. A third directive for an additional 2,000 MW of load shed occurred at 6:23 a.m.

<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE §§ 11.001-66.016 (Vernon 2007 & Supp. 2011) (PURA).

2. ERCOT Operating Guide § 4.5.3.4 establishes load-shed obligation percentages for EEA Level 3 load shedding based on peak loads as reported to ERCOT. AEP Texas' load-shed obligation was 93.3 MW per 1,000 MW. Because AEP Texas used Supervisory Control and Data Acquisition (SCADA) to shed load, ERCOT Operating Guide § 4.5.3.(7)(a) required AEP Texas to fully implement within half an hour of ERCOT's directive. ERCOT Operating Guide § 4.5.3(7)(c) provides that the initial half an hour time period shall only apply to load shed amounts up to 1000 MW total. ERCOT Operating Guide § 4.5.3(7)(d) provides that, if after the first load shed instruction, ERCOT determines that an additional amount of firm load should be shed, another clock will begin anew applying the half an hour time frame. ERCOT'S third load shed directive of 2000 MW applicable to AEP Texas was governed by ERCOT Operating Guide § 4.5.3(7)(c), which additionally provides that load shed amount requests exceeding 1000 MW on the initial [half an hour] clock may take longer to implement.
3. AEP Texas did not achieve its obligation within the designated half-hour intervals following the first two directives. AEP Texas shed its allocation of the first 1000-MW directive in 32 minutes and shed its allocation of the second 1000-MW directive within 40 minutes. AEP Texas reached its allocation of the final load-shed instruction 1 hour and 37 minutes after the instruction was issued.
4. AEP Texas accomplishes its firm load shed by SCADA. AEP Texas asserts that it did not timely shed its load because of several factors, including the amount of time necessary for AEP Texas' personnel to relay ERCOT directives from their operating desk, due to AEP Texas's additional ERCOT liaison responsibilities with Comision Federal de Electricidad in Mexico. AEP Texas further states that the amount of time necessary to determine the appropriate loads to shed contributed to the delay in responding to ERCOT's load shed directives, due to AEP Texas' utilization at the time of its existing manual load shed process.
5. Immediately following the February 2, 2011 event, AEP Texas reviewed its performance in order to evaluate taking corrective actions and improvements to its transmission and distribution dispatch processes and systems. AEP Texas explained improvements it made to its load shed process learned from the February 2, 2011, event to the Texas Reliability

- Entity (Texas RE). AEP Texas further commits to incorporating a multi-feeder load shed automated system to its load shed process to further improve its ability to timely respond to ERCOT load shed directives.
6. PURA § 39.151(j) requires retail electric providers, municipally owned utilities, electric cooperatives, power marketers, transmission and distribution utility, or power generation companies to comply with the ERCOT operating and reliability policies, rules, guidelines, and procedures or be subject to revocation, suspension, or amendment of their certification or to the imposition of administrative penalties.
  7. P.U.C. SUBST. R. 25.503(f)(2) requires a market participant to comply with ERCOT Protocols and any official interpretation of the Protocols issued by ERCOT or the Commission.
  8. ERCOT Operating Guide § 4.5.3(7)(a) requires load interrupted by SCADA will be shed without delay and in a time period not to exceed 30 minutes. ERCOT Operating Guide § 4.5.3(7)(c) provides that the initial [30 minute] clock on the firm load shed applies only to load shed amounts up to 1000 MW total and that load shed amount requests exceeding 1000 MW on the initial clock may take longer to implement. ERCOT Operating Guide § 4.5.3.4 requires load-shed obligation percentages for Level 3 load shedding be based on-peak loads as reported to ERCOT.
  9. The Alleged Violations of PURA § 39.151(j) and P.U.C. SUBST. R. 25.503(f)(2), described herein, are Class A violations pursuant to P.U.C. SUBST. R. 25.8(b)(3)(B).
  10. On or about March 2, 2012, AEP Texas 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.
  11. AEP Texas fully cooperated with Commission Staff's investigation.
  12. AEP Texas acknowledges the violations detailed in this Order.
  13. AEP Texas participated in one or more settlement discussions with Commission Staff to resolve this matter.
  14. Neither AEP Texas Central Company nor AEP Texas North Company has previous load shedding violations.

15. On June 12, 2012, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and AEP Texas agreed to pay an administrative penalty of \$68,500 for the Alleged Violations herein.
16. The Agreement provides for a reasonable resolution of this dispute and should be approved.

## **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 38.005.
2. AEP Texas 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. AEP Texas violated PURA § 39.151(j) and the requirements of P.U.C. SUBST. R. 25.503(f)(2) concerning failure to adhere to ERCOT Operating Guide § 4.5.3.(7)(a) concerning implementation of an EEA event during the EEA Level 3 event on February 2, 2011.
4. P.U.C. PROC. R. 22.246(g)(1)(A),(B), and (C) requires 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 P.U.C. PROC. R. 22.246(g).
6. The requirements for informal disposition pursuant to P.U.C. PROC. R. 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 Texas shall pay an administrative penalty to the Commission in an amount of \$68,500 no later than 30 calendar days after the date of this Order. Payment shall be made by check payable to the Public Utility Commission of Texas and shall reference Docket No. 40477. The check shall be sent to either of the following addresses:

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

Public Utility Commission of Texas  
1701 N. Congress Ave., 7th Floor  
Austin, Texas 78701  
ATTN: Fiscal Services

3. AEP Texas 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 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 shall not be regarded as binding holding or precedent as to the appropriateness of any principle underlying the Agreement.

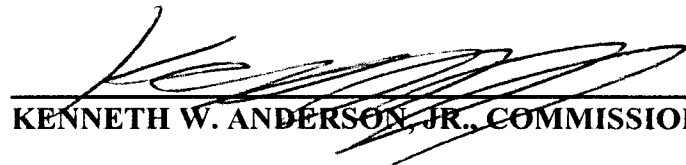
6. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other request for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS the 13<sup>th</sup> day of July 2012.

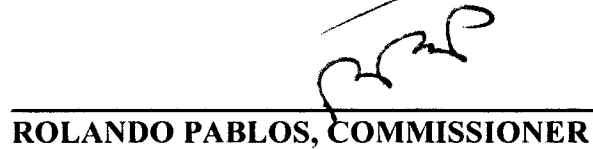
**PUBLIC UTILITY COMMISSION OF TEXAS**



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**DONNA L. NELSON, CHAIRMAN**



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



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**ROLANDO PABLOS, COMMISSIONER**

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§ 4.5.3(7) RELATING TO MANUAL	§	
LOAD SHEDS	§	

### SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Staff) and AEP Texas Central Company and AEP Texas North Company (collectively AEP Texas)(or together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes Commission Staff's investigation of AEP Texas for violation of Section 39.151(j) of the Public Utility Regulatory Act<sup>1</sup> and P.U.C. SUBST. R. 25.503(f)(2), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Operating Guide § 4.5.3(7)(a) relating to Energy Emergency Alert (EEA)<sup>2</sup> implementation. AEP Texas' failure to perform pursuant to ERCOT protocols occurred during an EEA Level 3 event on February 2, 2011.

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 AEP Texas agrees to pay an administrative penalty of Sixty-Eight Thousand Five Hundred dollars (\$68,500.00) for AEP Texas' violations described in the attached Proposed Order.

<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2011) (PURA).

<sup>2</sup> See ERCOT Protocol § 2.1, Definitions.

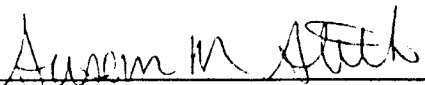


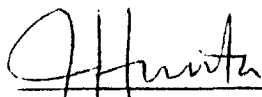
3. AEP Texas has implemented remediation activities communicated to the Texas Reliability Entity (Texas RE) that are designed to better enable it to meet its load shed obligations consistent with the emergency procedures in ERCOT operating guides. AEP Texas has also committed to incorporating a multi-feeder load shed automated system to its load shed process to further improve its ability to timely respond to ERCOT directives in the future.
4. Unless specifically provided for in this Agreement, AEP Texas waives any notice and procedures that might otherwise be authorized or required in this proceeding.
5. Nothing in this Agreement shall limit the Commission Staff's ability to perform its enforcement functions as set forth in PURA and the Commission's rules for violations that are not raised in this investigation. This settlement disposes of all issues related to AEP Texas' performance under PURA, the Commission's Substantive Rules and the ERCOT Operating Guides in effect on February 2, 2011.
6. 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.
7. The Parties contemplate that this Agreement will be approved pursuant to P.U.C. PROC. R. 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.

8. This Agreement represents the effort by AEP Texas and Staff to avoid the future expenditure of significant resources in litigating this matter.
9. 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.
10. 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.
11. AEP Texas 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.

  
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& Enforcement Division  
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(512) 481-3323  
FOR AEP TEXAS CENTRAL  
COMPANY AND AEP TEXAS  
NORTH COMPANY