



Control Number: 48607



Item Number: 6

Addendum StartPage: 0

DOCKET NO. 48607

RECEIVED

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO LUMINANT ENERGY §
COMPANY LLC'S VIOLATION OF §
PURA § 39.151(j), 16 TAC §§ 25.503(f)(2) §
AND 25.503(f)(8), AND ERCOT §
PROTOCOLS §§ 6.4.6(1) AND §
8.1.1.2.1.3(4) §

PUBLIC UTILITY COMMISSION
OF TEXAS

2010 DEC 10 PM 3:48
PUBLIC UTILITY COMMISSION
FILING CLERK

ORDER

This Order approves the settlement agreement and report to Commission (agreement) between Commission Staff and Luminant Energy Company LLC relating to Commission Staff's investigation of Luminant Energy for violations of PURA¹ § 39.151(j), 16 Texas Administrative Code (TAC) §§ 25.503(f)(2) and 25.503(f)(8), and Electric Reliability Council of Texas (ERCOT) Protocols §§ 6.4.6(1) and 8.1.1.2.1.3(4). The agreement resolves all of the issues between Commission Staff and Luminant Energy. Commission Staff recommends an administrative penalty of \$1,100,000. Luminant Energy agrees to pay the recommended administrative penalty. The Commission approves the agreement.

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

I. Findings of Fact

Respondent

1. Luminant Energy is the qualified scheduling entity (QSE) for the resource entity (RE) Luminant Generation Company LLC.

Zero Down-Ramp Rates

2. On July 30, August 5, August 11, and August 12, 2015, fifteen Luminant Energy quick-start units at the Permian Basin, Morgan Creek, and DeCordova generation sites simultaneously telemetered a down-ramp rate of zero when operating near maximum capacity.

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

3. Because of the zero down-ramp rate, during this time, ERCOT's Security-Constrained Economic Dispatch (SCED) was prevented from dispatching the units down.
4. The zero down-ramp rate was generally held for two hours, with actual times varying between 30 minutes and two hours and 39 minutes. The zero down-ramp rate was held for an aggregated 119 operating hours.
5. Most of these quick start units were obligated to provide non-spin reserve service (NSRS). Of the aggregated 119 operating hours where Luminant Energy telemetered a zero down-ramp rate, it carried non-spin obligations in 109 operating hours.
6. On the days at issue, all of the units were offering energy at less than \$76 per MWh and were dispatched by SCED because locational marginal prices (LMPs) had risen above \$75 per MWh.
7. Because SCED was unable to adjust these units down, the units continued to generate near peak output, effectively overriding SCED to permit the units to operate at the output level determined by Luminant Energy rather than the output level that would have been determined by SCED.
8. Luminant Energy asserts that the combustion turbines at DeCordova, Morgan Creek, and Permian Basin were operating in peak-fire mode—a method of operation that maximizes the unit's production of energy available to the ERCOT grid—at the times that Luminant Energy telemetered a zero down-ramp rate to ERCOT for these units.
9. Luminant Energy asserts that the combustion turbine units are mechanically incapable of automatically following down dispatch instructions while operating in peak-fire mode.
10. Luminant Energy asserts that the zero down-ramp rate reflected Luminant Energy's belief of the units' capabilities at that time with respect to ramping down.
11. Commission Staff asserts that while peak-fire mode prevents the turbines from following SCED instructions, nothing about the mode prevents the units from manually ramping downward. Further, the plant operator is always capable of taking the unit out of peak-fire mode to follow dispatch instructions.
12. Commission Staff asserts that when the LMPs at each location dropped below \$75 per MWh during the days at issue, the units continued to generate near peak output because SCED was unable to adjust these units down due to the zero down-ramp rate.

13. Commission Staff is unaware of any occasion other than those on July 30, August 5, August 11, and August 12, 2015 where Luminant Energy telemetered a zero down-ramp rate while operating in peak-fire mode.
14. Commission Staff asserts that from July 30 to August 15, 2015, Luminant Energy regularly offered these units above \$1000 per MWh, at times increasing above \$2500 per MWh.
15. After investigation, Commission Staff believes it has found more than 250 instances of Luminant Energy telemetering a down-ramp rate greater than zero while operating in peak-fire mode.

Notice

16. On or about June 14, 2017, Commission Staff provided Luminant Energy notice of the investigation, the results of the investigation, information about Luminant Energy's right to a hearing, and an opportunity to explain its activities.

Settlement Agreement

17. On August 15, 2018, the parties entered into a settlement agreement. Commission Staff recommended, and Luminant Energy agreed to pay, an administrative penalty of \$1,100,000.
18. On August 15, 2018, Commission Staff filed a copy of the executed agreement with the Commission's filing clerk.

Informal Disposition

19. At least 15 days have passed since the completion of all notice requirements.
20. Luminant Energy and Commission Staff are the only parties to this proceeding.
21. No party requested a hearing.
22. The settlement agreement is not adverse to either party.

II. Conclusions of Law

1. The Commission has jurisdiction over this matter under PURA §§ 14.002, 14.051, 15.023, 15.024, and 39.151(j).
2. Luminant Energy is a QSE under 16 TAC § 25.5(95).

3. Luminant Energy must comply with 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.
4. Under 16 TAC § 25.503(f)(2), Luminant Energy must comply with ERCOT Protocols and any official interpretation of the Protocols issued by ERCOT or the Commission.
5. Under 16 TAC § 25.503(f)(8), Luminant Energy must provide accurate and factual information and must not submit false or misleading information, or omit material information, in any communication with ERCOT or with the Commission.
6. Under ERCOT Protocols § 6.4.6(1), Luminant Energy must provide ERCOT with accurate telemetry of the current capability of each Resource including the Resource Status, Ramp Rates, High Sustained Limit, and Low Sustained Limit.
7. Under ERCOT Protocols § 8.1.1.2.1.3(4), Luminant Energy must be capable of responding to ERCOT Dispatch Instructions when providing Non-Spin.
8. Under ERCOT Protocols § 6.4.4.2(a), units providing NSRS may participate in the real-time energy market and still meet the NSRS obligation by offering energy from NSRS-obligated capacity at prices of \$75 per MWh or higher.
9. Under PURA § 15.023, the Commission has authority to impose administrative penalties for violations of PURA § 39.151, the ERCOT Protocols and Commission rules.
10. The filing of the agreement meets the requirements of 16 TAC § 22.246(h)(1).
11. The Commission processed this docket in accordance with applicable statutes and Commission rules.
12. The requirements for informal disposition in 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 orders:

1. The Commission approves the agreement.

2. Luminant Energy must comply with the terms of the agreement and this Order.
3. Luminant Energy must pay an administrative penalty to the Commission in the amount of \$1,100,000. Luminant Energy is required to remit payment of the full amount of the administrative penalty on or before 30 calendar days after the date the Commission signs this Order. Payment of the administrative penalty may be made by check payable to the Public Utility Commission of Texas. The check must reference this docket and must be sent to the following address:

Public Utility Commission of Texas
ATTN: Fiscal Services
P.O. Box 13326
Austin, Texas 78711
4. Luminant Energy must file an affidavit of payment in this docket no later than five calendar days after remitting the payment.
5. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
6. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 10th day of December 2018.

PUBLIC UTILITY COMMISSION OF TEXAS


DEANN T. WALKER, CHAIRMAN


ARTHUR C. D'ANDREA, COMMISSIONER


SHELLY BOTKIN, COMMISSIONER

q \cadm\orders\final\48000\48607 fo.docx