



# TEXAS RE

Ensuring electric reliability for Texans

# Transmission Owner and Operator Meeting

October 11, 2021

## **Antitrust Admonition**

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# Agenda

**Executive Welcome**

**Overview of FERC PacifiCorp Case**

**Facility Rating Best Practices from a Compliance Perspective**

**Enforcement Facility Rating Activities**

**Entity Questions**

# **FERC PacifiCorp Case Overview**

**Derrick Davis**  
**General Counsel and Corporate Secretary**

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**Docket No. IN21-6-000**

## **Order to Show Cause and Notice of Proposed Penalty Issued April 15, 2021**

- FERC ordered PacifiCorp to explain why the company should not be assessed a proposed civil penalty of \$42 million for violating reliability standards
- FERC Office of Enforcement (OE) staff allege that PacifiCorp failed to comply with Reliability Standard Facilities Design, Connections and Maintenance (FAC-009)

# Enforcement Staff Report



**OE staff found that clearance measurements on a majority of PacifiCorp's bulk electric system transmission lines were incorrect and thus inconsistent with its facility ratings methodology**



**Issuance of the order does not indicate Commission adoption or endorsement of the Staff Report**

- PacifiCorp's Answer to the Order to Show Cause filed on July 16, 2021
- OE Staff's Reply to PacifiCorp's Answer to the Order to Show Cause filed on September 14, 2021

# Key Takeaways

## Importance of Facility Ratings Methodology Processes and Procedures

- Robust internal controls are necessary
- Adhere to FRM considerations
  - Clearance Standards

## Timely Mitigation

- Remediation within a reasonable time period is required once incorrect ratings are identified

## NERC Alerts

- Entities should respond appropriately and make notifications if applicable



# **Facility Rating Best Practices from a Compliance Perspective**

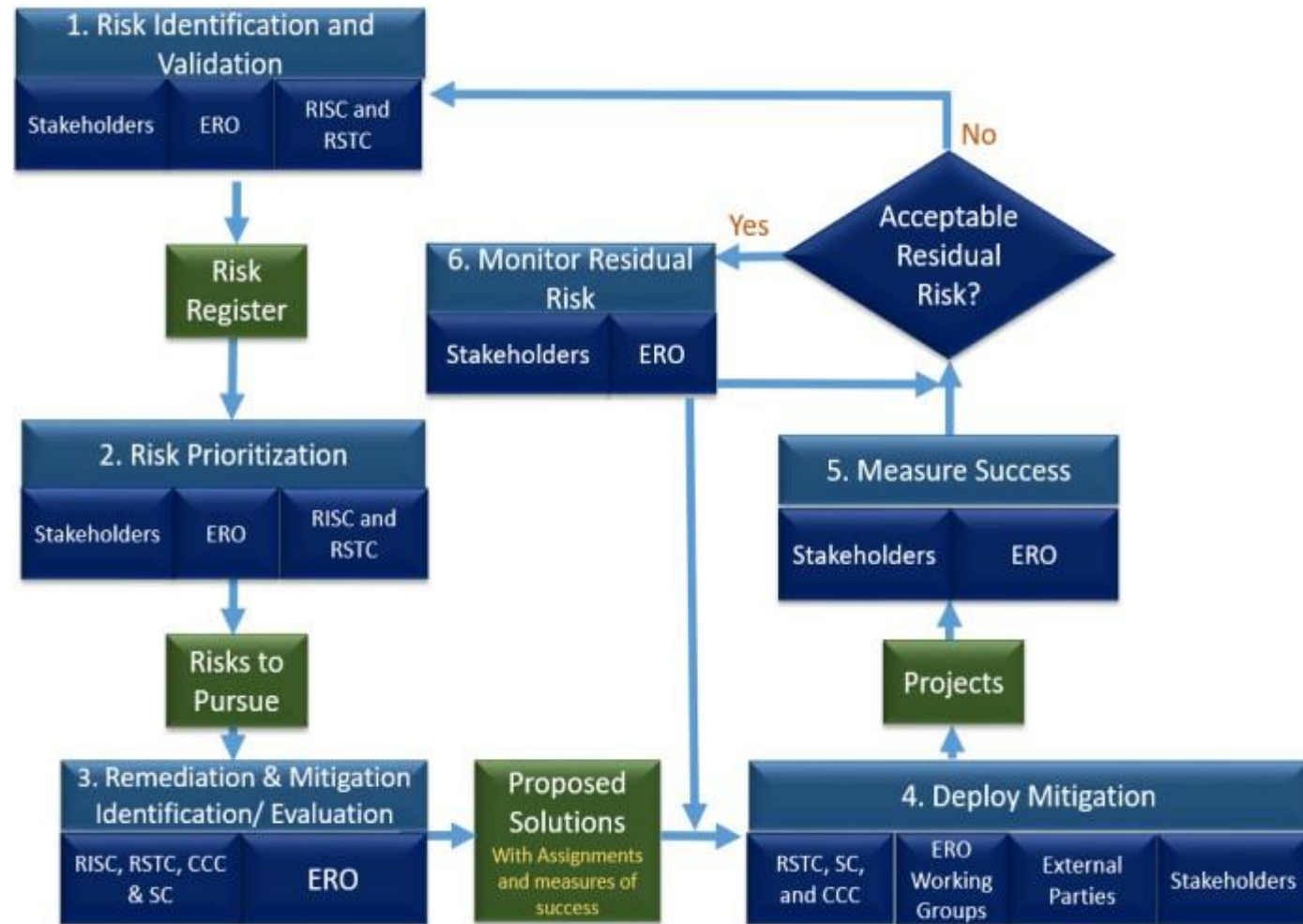
**Curtis Crews**

**Director, Compliance Assessments**

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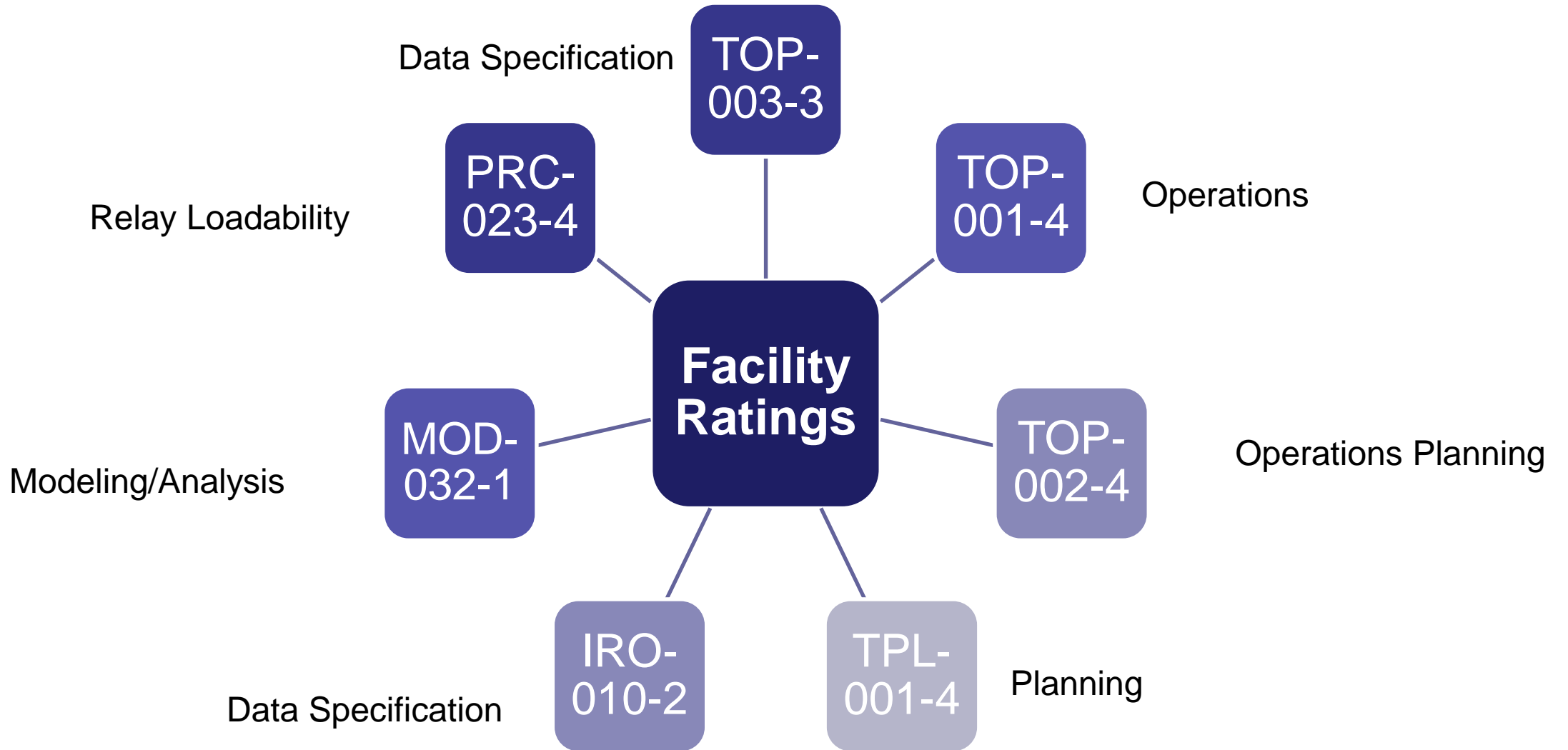
# Risk Management



# Risk



# Risk



# History

## Previous Outreach Activities – FAC-008-3

Spring Standards and Compliance Workshop - 2018

- FAC-008-3 was addressed during the “Compliance Monitoring Updates: Good Catches” presentation.

Fall Standards and Compliance Workshop - 2017

- FAC-008-3 was addressed as one of the ERO Risk Elements during the “2018 CMEP Implementation Plan” presentation.

Fall Standards and Compliance Workshop - 2016

- Enforcement conducted a presentation on FAC-008-3, “Facility Rating Mitigation Best Practices.” The two primary topics were “Calculating Facility Ratings in an accurate manner” and “Ensuring that correct Facility Ratings are submitted to ERCOT.”

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NDSWG Meeting  
October 16, 2018



## What does this mean to me?

- **Good chance that engagements will include FAC-008**
- **Points to consider**
  - Internal audits
  - Awareness within company
  - Coordination efforts with other companies
  - Internal versus those provided to ERCOT
  - Validation of processes
  - Validation of inventory
  - Validation of ownership
  - Delivery time to ERCOT
  - Are field personnel acutely aware?

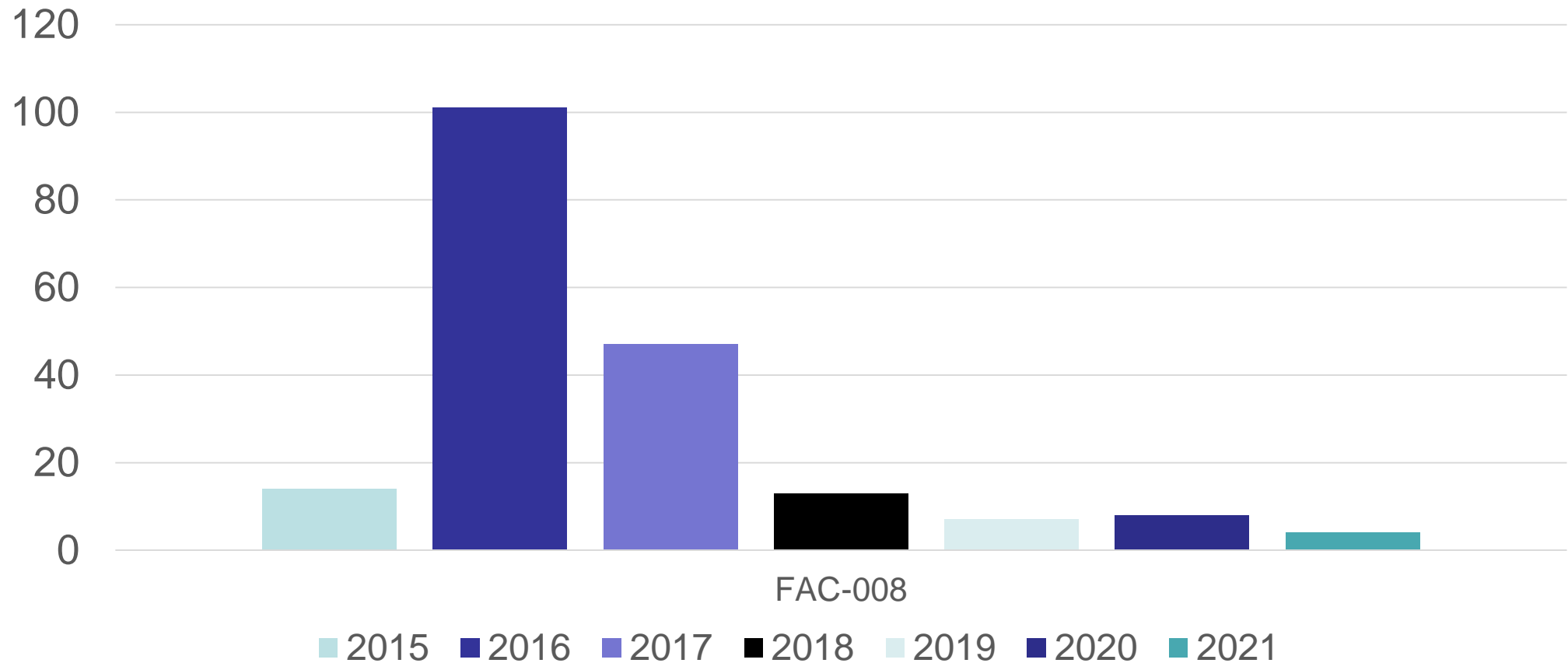
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NDSWG Meeting  
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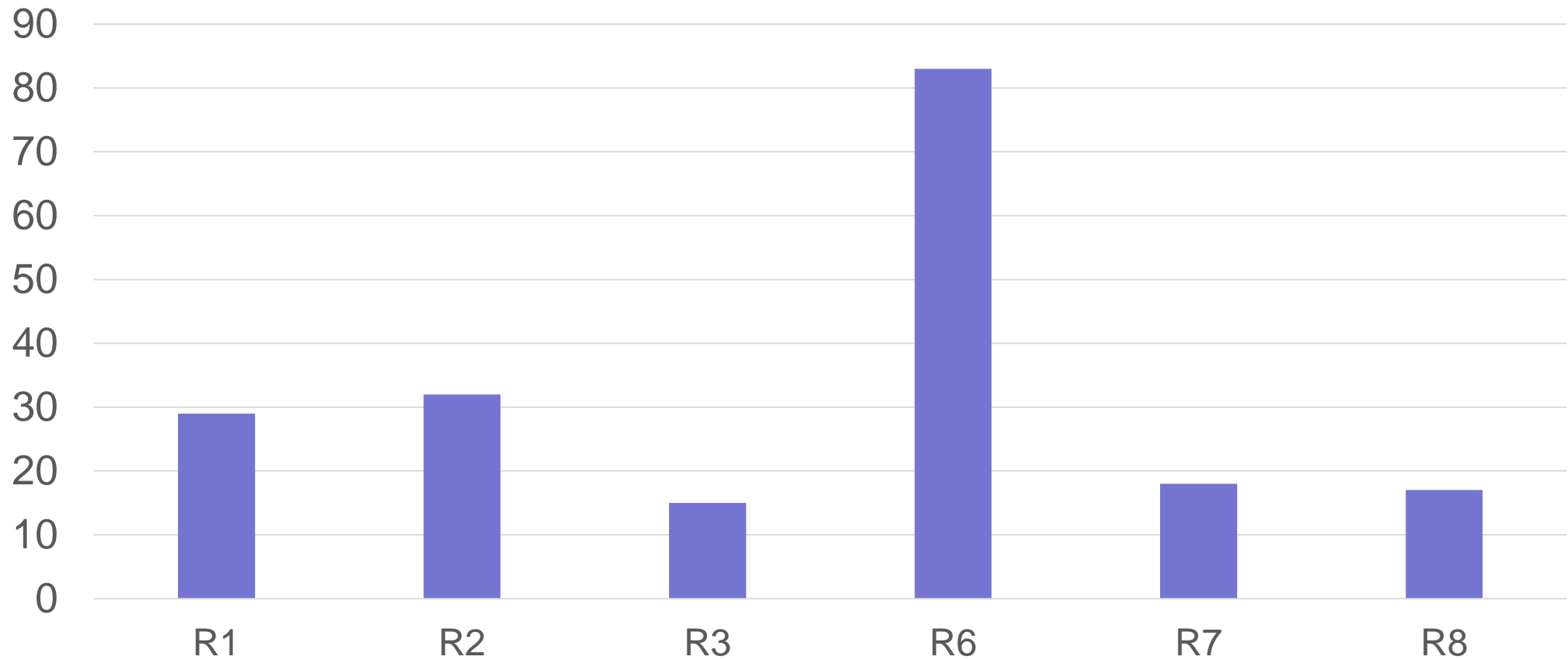
# Compliance Coverage

## FAC-008 Requirements

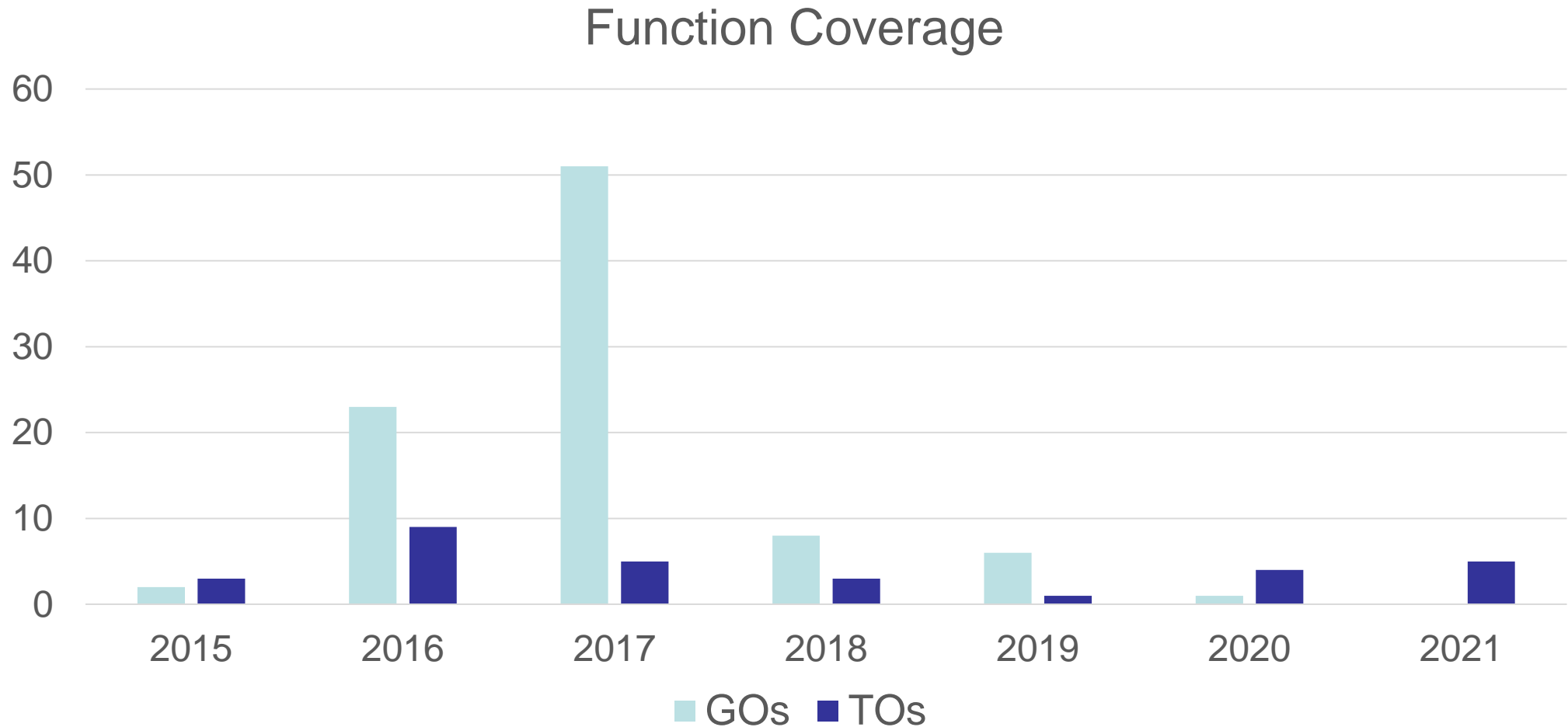


# Requirement Coverage

## Count by Requirement

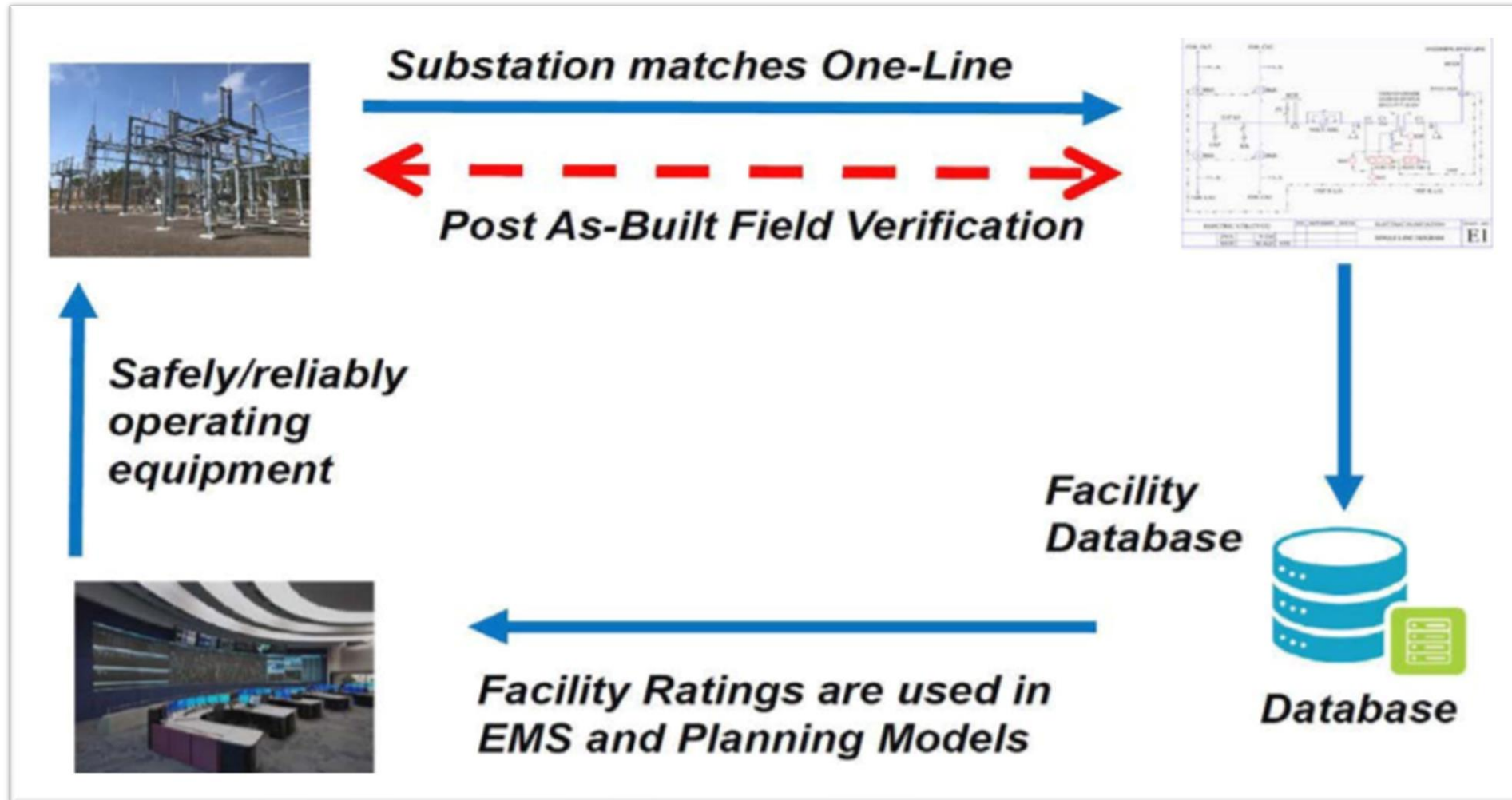


# Function Coverage

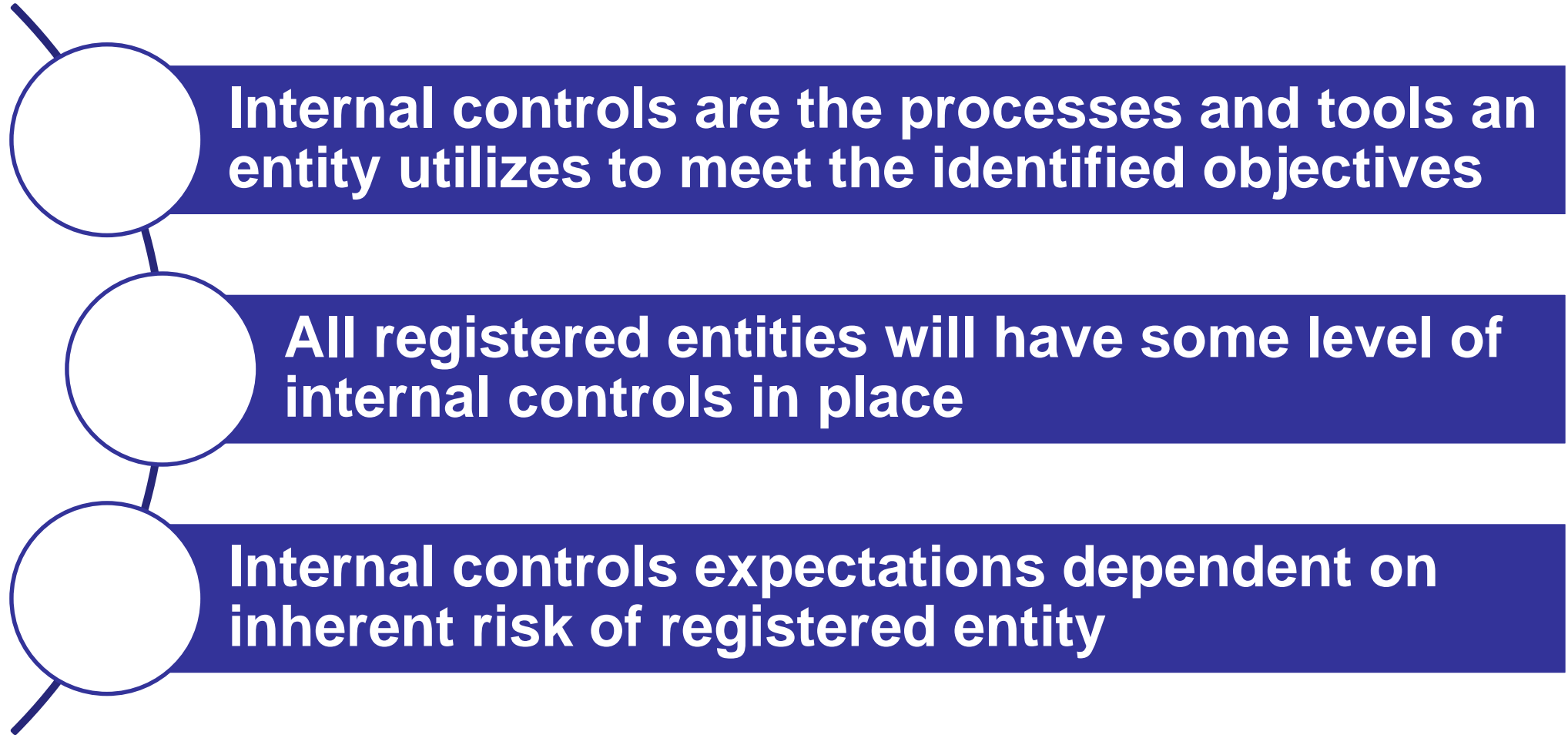




# Flow Diagram



# Internal Controls



# Internal Controls

**Methodology**

**Inventory**

**Verification**

**Change Management**

# Compliance Reviews

- **Roles and responsibilities (including joint ownership)**
- **Identification of tools (e.g., database, Maximo, etc.), resources, conditions (e.g., breaker configurations), locations**
- **Step-by-step work instructions with checklist and multi-tiered approval process**
- **Identified Facilities prioritized for future field inspections**
- **Inspections after storms/tornados/construction**
- **Periodic internal/external model comparisons**
- **Cross-department/company check/notification (internal and external as needed)**
- **Internal periodic reviews**
- **Planning/Operation models**

# Regional Best Practices

- **Leverage previous engagements**
- **Incorporate different outreach efforts (e.g., today, SGAS, one-on-one, common questions, enhance practice guide, industry collaboration, etc.)**
- **Adjust sampling based on risk, increase sample size, collaboration/coordination with neighboring entities**
- **Consider including field evaluations with a focus on internal controls**
- **Emphasize/recommend mitigation efforts**
  - Risk-based periodic % reviews, extent of condition, robust change process including notification, tools (inventory, tracking, notification, etc.), clear roles/responsibilities, etc.

# Registered Entity Best Practices

- **Robust documented change management processes for equipment changes that include:**
  - SME evaluation of changes
  - Required pre-implementation approvals/notifications
  - Inventory verification/updates
  - Checklist to verify appropriate follow-up action(s) taken
  - Periodic reviews/comparisons with internal and external models
  - Periodic reviews with others (e.g., construction/maintenance crews, relay and control, EMS support, RC support, etc.)
  - As-needed review if major event has occurred (e.g. Uri, Harvey, 1989 Derecho, Bastrop Fire, Jerrell F-5, etc.)

# Registered Entity Best Practices

- **Strong annually reviewed methodology – clear instructions, roles and responsibilities, coordination expectations**
- **Inventory tools – write access dictated by FRM roles with automated notifications to affected groups**
- **Periodic field verification – percentage and risk based on legacy, post-event review, and new installations**
- **Checklist for changes that includes data provision (internally and externally), review of SOLs, relay impacts, and EMS/GMS/application alarming impacts**
- **Facility Rating/MLSE database with robust controls, MLSE and secondary MLSE identified, jointly owned Facilities identified**

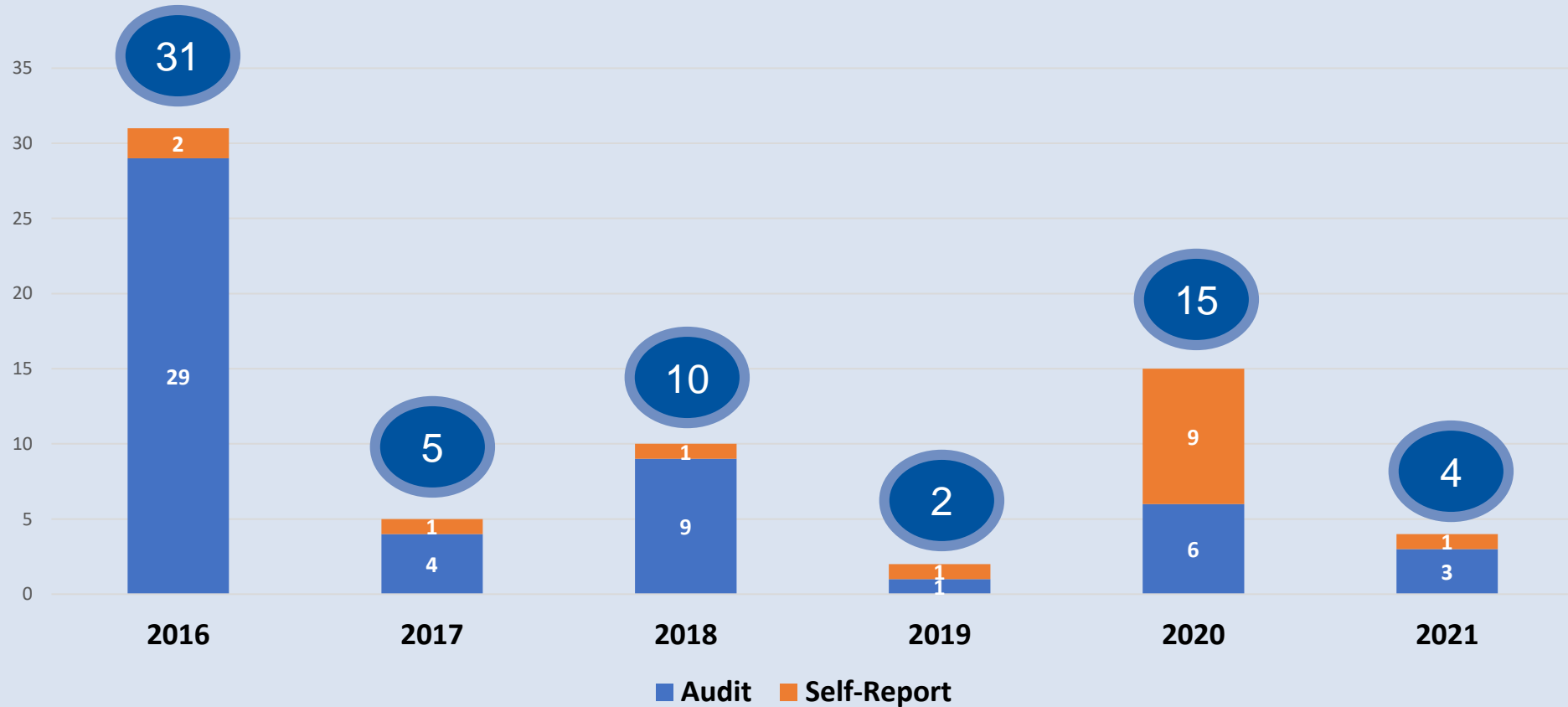


# **Texas RE Enforcement Facility Rating Activities**

**Joseph P. Younger**  
**Vice President and Chief Operating Officer**

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# Facility Ratings Issues Discovered by Year to Texas RE



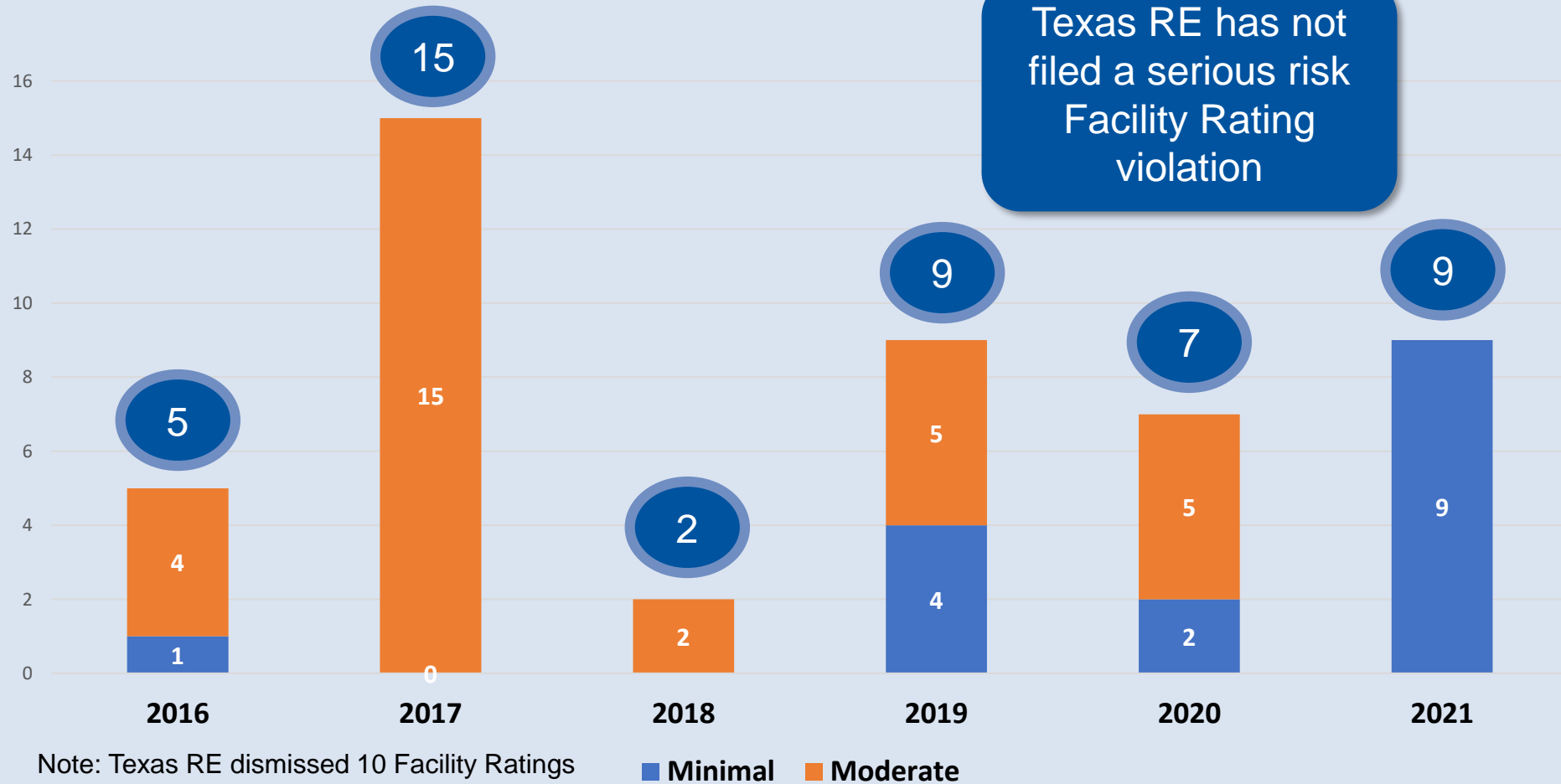
# Facility Ratings Violation Risk Analysis

**In determining the risk of a Facility Rating violation, Texas RE Enforcement typically considers:**

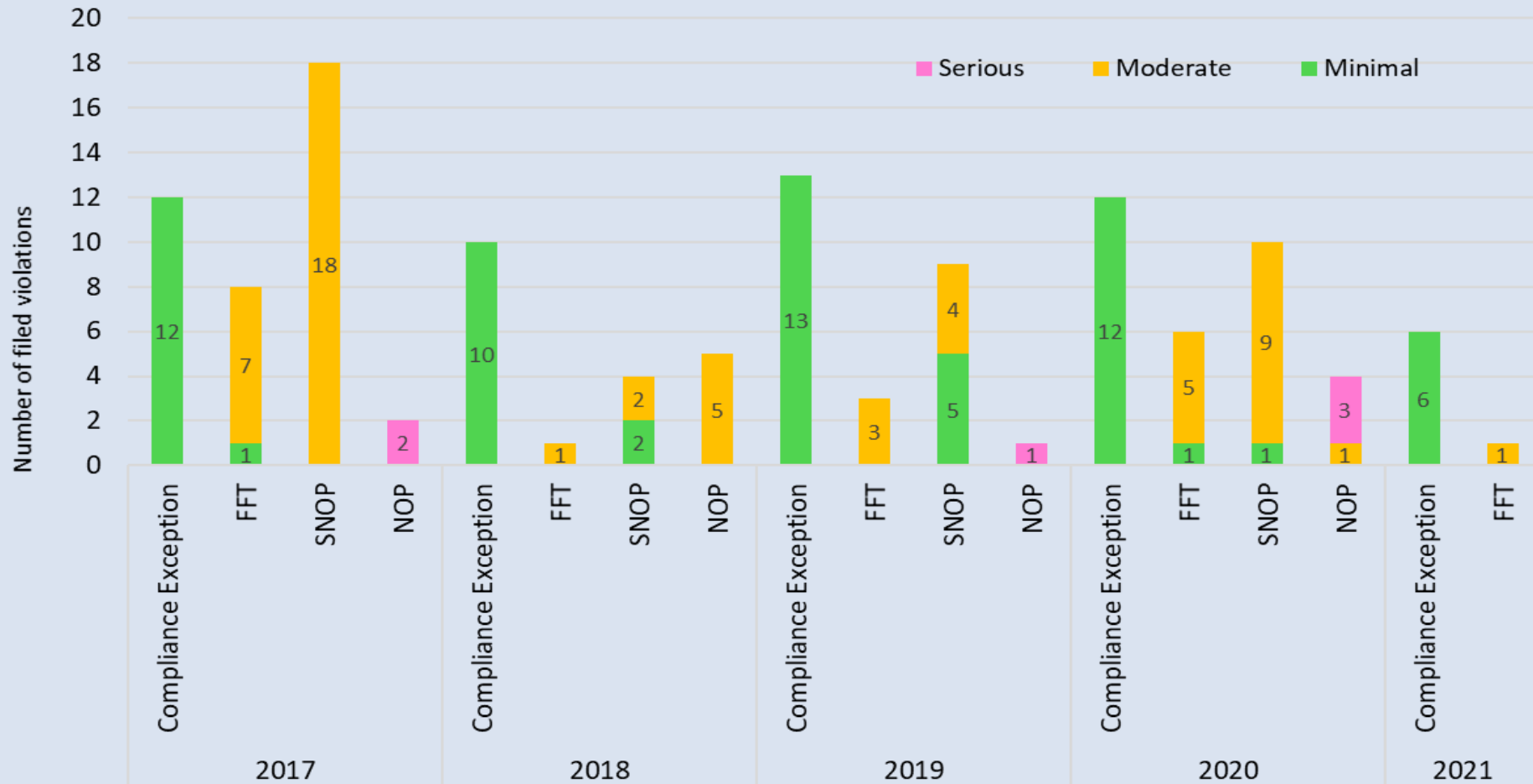
- The number of Facilities with incorrect Facility Ratings
- The number of Facilities requiring derated ratings
- The extent of the rating adjustment needed to correct the issue
- The types, location, and criticality of the Facilities at issue
- Whether line flows exceeded corrected ratings during the violation duration
- The duration of the Facility Ratings issue
- The size and function of the entity

**These Facility Ratings risk considerations are consistent across the ERO**

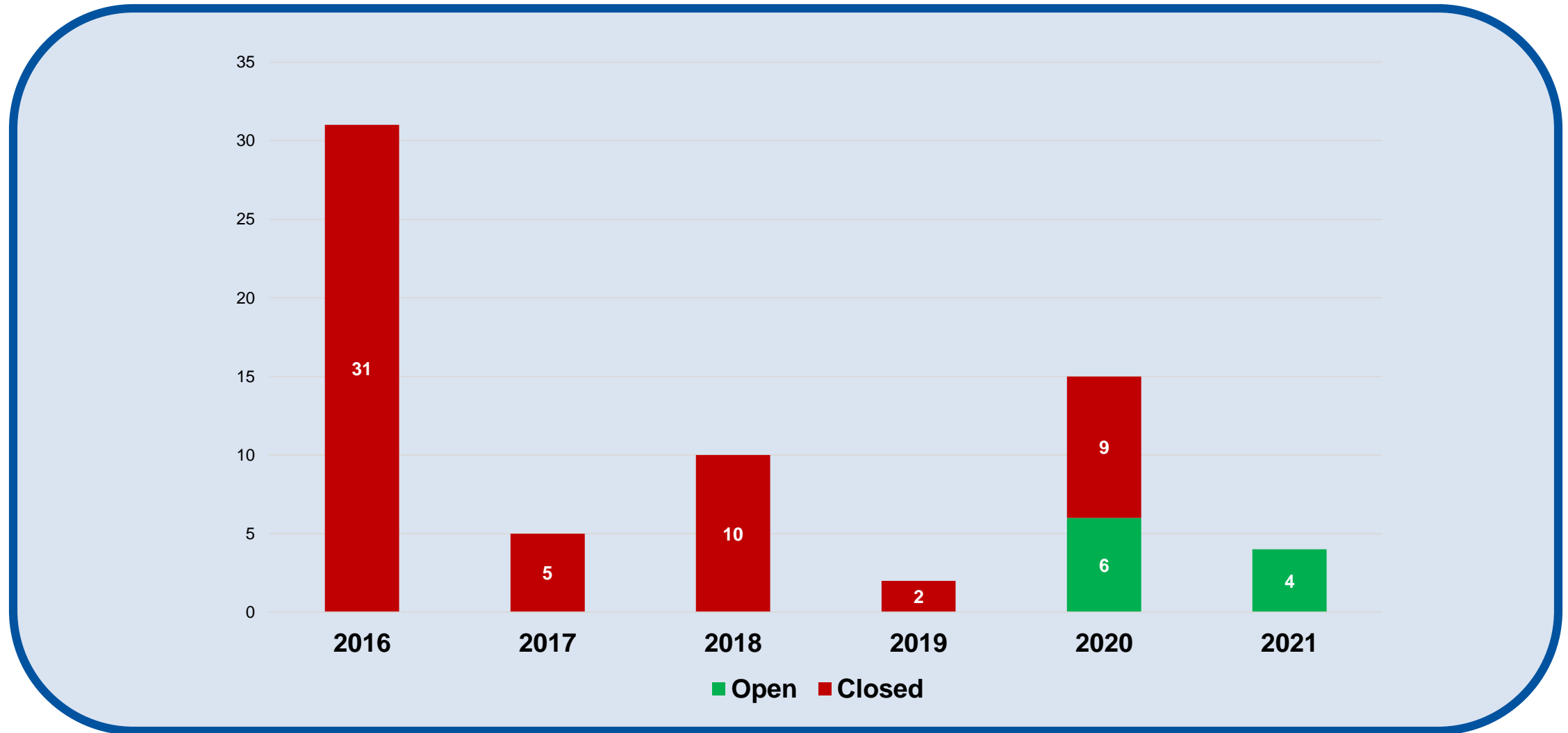
# Filed Texas RE Facility Ratings Issues by Risk



# Facility Rating Related Filings 2017 – To Date in 2021



# Facility Ratings Issues Closed by Texas RE by Discovery Year



**Mitigation for Facility Rating violations (and all violations) must:**

- **Correct the issue**
- **Prevent recurrence**



# Effective Mitigation: Correcting Facility Ratings Noncompliance

## Extent of Condition Reviews

- Entities should generally perform Extent of Condition reviews unless they can affirmatively demonstrate the violation is isolated in terms of both scope and root cause
- Scope of the extent of condition depends on the facts and circumstances of the issue
- Physical walk downs of Facilities may be necessary to verify equipment and inventory settings in the field

**Ensure the updated Facility Ratings are incorporated into your entity's internal models and provided to ERCOT**

# Effective Mitigation – Prevention of Recurrence

## Develop and implement robust change management processes

- Think about information flows between groups such as construction and compliance
- Consolidate facility tracking and review processes across departments
- Develop processes to review field changes, resolve discrepancies, and confirm status prior to energization

## Implement frequent comparisons Facility Ratings provided to ERCOT and your internal Facility Ratings

## Entities should consider incorporating periodic field verifications of Facility Ratings as a detective control

The background of the slide features a blurred Texas state flag on the left and several high-voltage power lines with red insulators extending from the bottom center towards the right. The sky is a clear, light blue.

# Questions?



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