



Public Utility Law Section – Annual Conference

Keynote Presentation

***The Role of ERCOT's Legal Department:
The Who, the What and the Why?***

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ERCOT

ERCOT Public
August 10, 2018

Summer 2018 So Far: New Peak Records

Peak Demand Record: 73,308 megawatts (MW)

- July 19, 2018, 4-5 p.m.

Weekend Peak Demand Record: 71,445 MW

- Sunday, July 22, 2018, 5-6 p.m.

Winter Peak Demand Record: 65,915 MW

- Jan. 17, 2018, 7-8 a.m.

Wind Generation Records (instantaneous)

- Output: 17,541 MW
 - Feb. 19, 2018, 10:05 p.m.
- Penetration (load served): 54%
 - Oct. 27, 2017, 4 a.m.
 - Total Load = 28,416 MW

Recent Monthly Peak Demand Records

2018

- January: 65,915 MW (Jan. 17, 7-8 a.m.)
- May: 67,265 MW (May 29, 4-5 p.m.)
- June: 69,102 MW (June 27, 4-5 p.m.)
- July: 73,308 MW (July 19, 4-5 p.m.)

2017

- April: 53,486 MW (April 28, 4-5 p.m.)
- October: 62,333 MW (Oct. 9, 4-5 p.m.)

2016

- August: 71,110 MW (Aug. 11, 4-5 p.m.)
- September: 66,949 MW (Sept. 19, 4-5 p.m.)
- December: 57,932 MW (Dec. 19, 7-8 a.m.)

ERCOT Legal – From California to Texas

PEPPERDINE | LAW

CALIFORNIA WESTERN
SCHOOL OF LAW | San Diego



SMU | DEDMAN
SCHOOL OF LAW



TEXAS TECH UNIVERSITY
School of Law™



South Texas
COLLEGE OF LAW
— HOUSTON —

TEXASLAW



The Role of ERCOT's Legal Department

- **Provide legal advice for Electric Reliability Council of Texas, Inc. (not the ERCOT market or stakeholders)**
 - A member-only, 501(c)(4) tax-exempt, non-profit Texas corporation
 - Regulated by the Public Utility Commission of Texas for all matters and the Federal Energy Regulatory Commission for NERC Reliability Standards
 - Governed by the Board of Directors



The Role of ERCOT's Legal Department – Core Functional Areas

Corporate Transactions



Assistant General Counsel – Brandt Rydell

Corporate Governance



Assistant General Counsel and Assistant Corporate Secretary – Vickie Leady

Regulatory and Litigation



Assistant General Counsel – Nathan Bigbee

Regulatory and Litigation



Assistant General Counsel – Juliana Morehead

ERCOT Corporate Transactions

- Review, draft and negotiate commercial contracts, including:
 - Master Services Agreements
 - Statements of Work
 - Software License Agreements
 - Nondisclosure (Confidentiality) Agreements (NDAs)
 - Other purchase and supply agreements



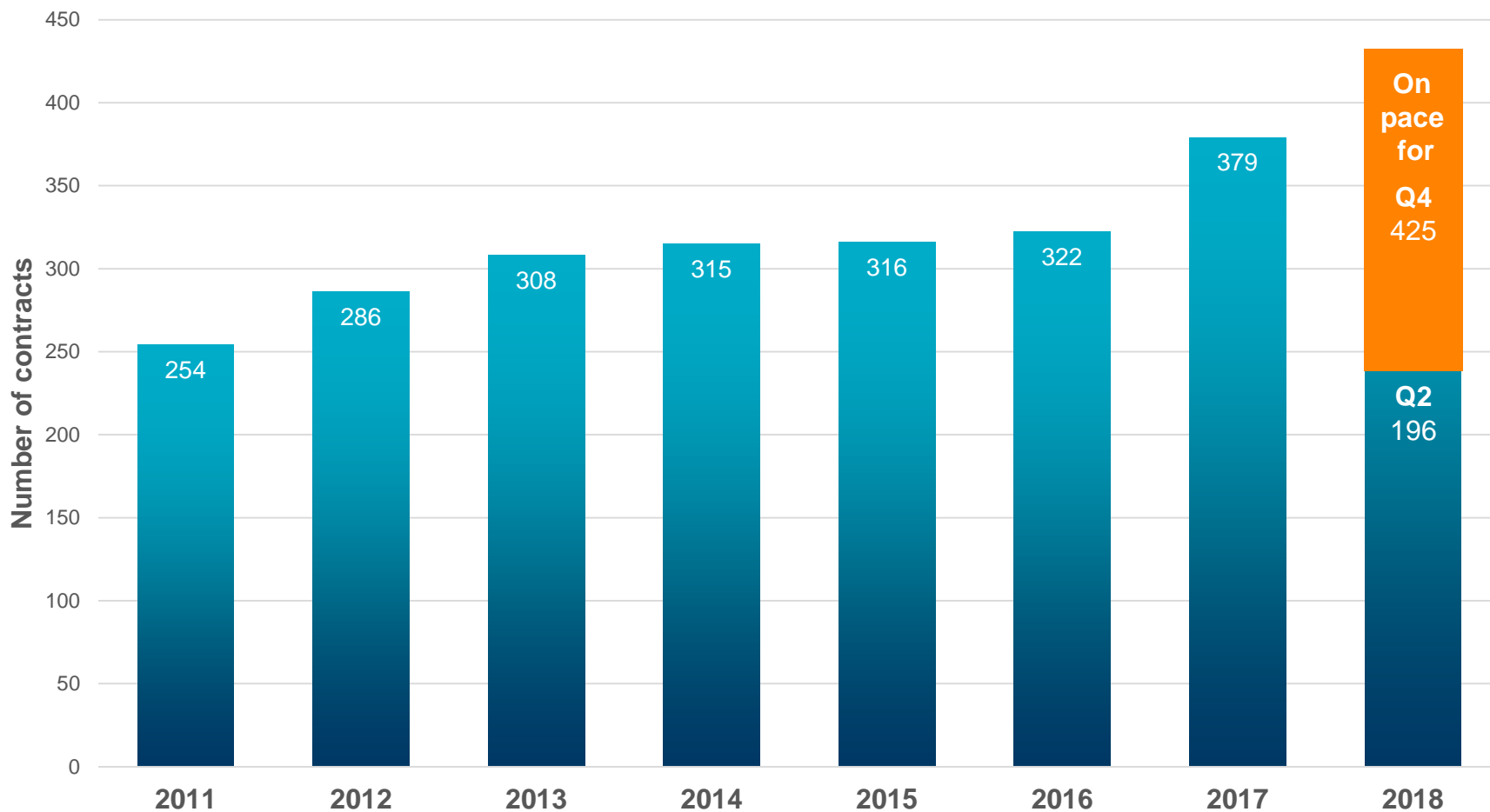
ERCOT Corporate Transactions – *cont'd*



- Support ERCOT Supply Chain Management and internal business teams
- Handle wide variety of commercial transactions related to business operations, including:
 - Consulting services
 - Information Technology
 - Facilities
 - Human Resources
 - Research projects

ERCOT Corporate Transactions – *cont'd*

- ERCOT's contract volume has steadily increased over the years:



ERCOT Corporate Governance

- Maintain ERCOT's governing documents
 - Articles of Incorporation/Certificate of Formation
 - Bylaws
- Ensure necessary governance-related compliance with statutes, rules, governing documents and corporate policies
- Maintain ERCOT's Section 501(c)(4) tax-exempt organization status
 - Internal Revenue Service Form 990



ERCOT Corporate Governance – *cont'd*

- Provide support to Board of Directors and its committees
 - Includes 16 Directors, 8 Segment Alternates
 - Meet 6 times per year
 - Develop meeting agendas
 - Prepare “no surprises” meeting materials
 - Finance and Audit Committee, Human Resources and Governance Committee and Nominating Committee (as needed)

- Act as liaisons with the Board, ERCOT Executive Team, subject matter experts and external parties for meetings and materials



ERCOT Corporate Governance – cont'd

- Assist with matters related to ERCOT Members

SEGMENT	CORPORATE MEMBERS
Consumer <ul style="list-style-type: none">• Residential - 2• Commercial - 152• Industrial -17	171
Cooperative	38
Independent Generator	17
Independent Power Marketer	14
Independent Retail Electric Provider	15
Investor-Owned Utility	8
Municipal	20
TOTAL	283

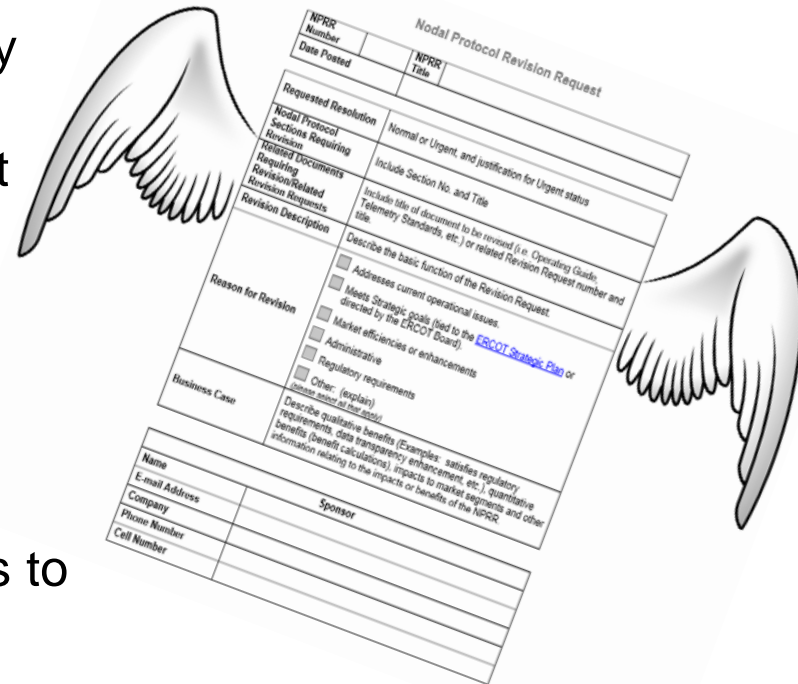
ERCOT Corporate Governance – The Why?

- On August 7, 2018, ERCOT Board recommended changes to the Articles of Incorporation and ERCOT Bylaws.
 - *Articles of Incorporation*
 - Been in effect since December 19, 2000
 - To conform with current corporate and tax-exempt organization legal requirements
 - To maintain ERCOT's tax-exempt status
 - To update factual references
 - To include references to applicable provisions of PURA and Public Utility Commission of Texas Substantive Rules
-
- *ERCOT Bylaws*
 - Affiliate definition
 - Officer definition
 - Updates to legal code references
 - Corrections to scrivener's errors



ERCOT Regulatory & Litigation

- Support ERCOT business units (e.g., commercial operations, risk & compliance, grid planning & operations, external affairs & government relations) with respect to stakeholder committee activities, regulatory proceedings, regulatory compliance, and legislative and regulatory risk management
- Review and interpret ERCOT Protocols, Other Binding Documents, Operating Procedures and other relevant documents
- Draft, review and revise Nodal Protocol Revision Requests (NPRRs), and revisions to Other Binding Documents (OBDs)
 - In 2016, reviewed 91 revision requests
 - In 2017, reviewed 58 revision requests
 - As of August 2018, reviewed 61 revision requests



Nodal Protocol Revision Request

NPRR Number	
Date Posted	NPRR Title
Requested Resolution	Normal or Urgent, and justification for Urgent status
Nodal Protocol Sections Requiring Revisions	Include Section No. and Title
Requiring Documents	Include title of document to be revised (i.e. Operating Guideline, Telemetry Standards, etc.) or related Revision Request number and title.
Revisions/Related Revision Requests	
Revision Description	Describe the basic function of the Revision Request. <ul style="list-style-type: none"><input type="checkbox"/> Addresses current operational issues.<input type="checkbox"/> Meets Strategic goals (per to the ERCOT Strategic Plan or directed by the ERCOT Board).<input type="checkbox"/> Market efficiencies or enhancements<input type="checkbox"/> Administrative<input type="checkbox"/> Regulatory requirements<input type="checkbox"/> Other: (explain) <small>(state actor at the top)</small>
Business Case	Describe qualitative benefits (Examples: satisfies regulatory requirements, data transparency enhancement, etc.), quantitative benefits (benefit calculations), impacts to market segments, and other information relating to the impacts or benefits of the NPRR.
Name	
E-mail Address	Sponsor
Company	
Phone Number	
Cell Number	

ERCOT Regulatory & Litigation – *cont'd*

- Oversee the Market Participant registration process, including execution of Standard Form Market Participant Agreements.
 - Digital Certificate Audit Attestation (DCAA) Process
 - Generation Resource Weatherization Preparation Declaration Process
- Monitor and track filings applicable to the Public Utility Commission of Texas (PUCT), Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC), and other relevant governmental bodies.
 - ERCOT Legal makes around 200 public filings with the PUCT per year.

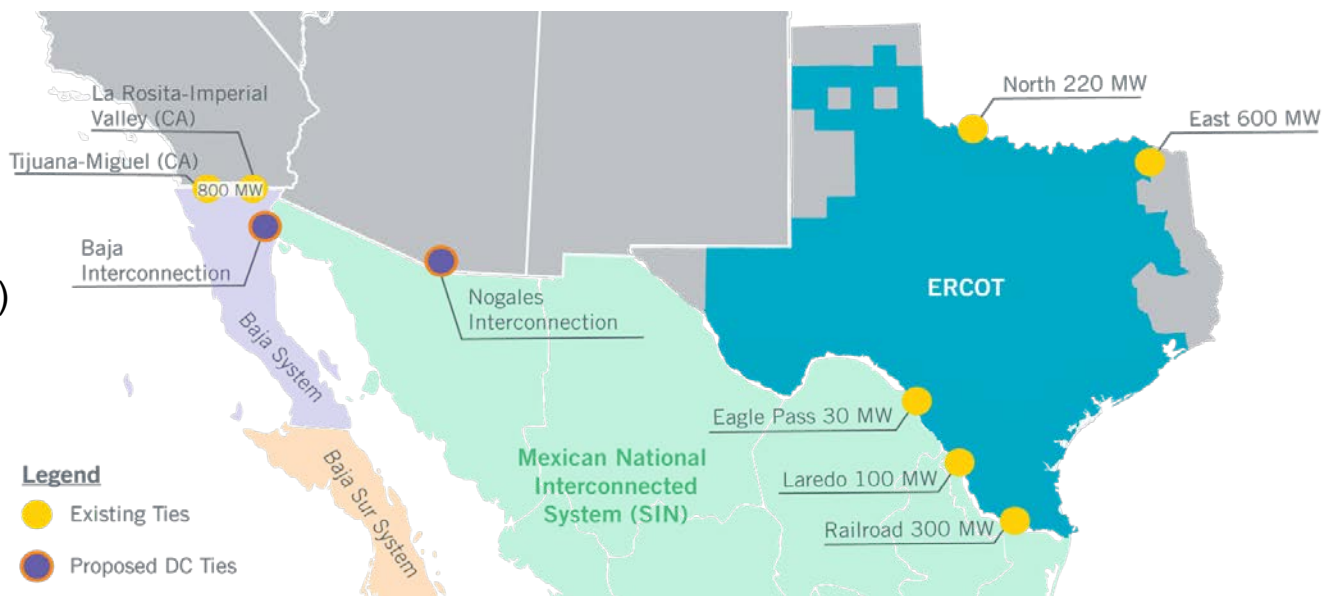
- Represent ERCOT in ISO/RTO Council (IRC) activities such as Regulatory Legislative Council (RLC) and Standards Review Committee (SRC).
- Perform research and analysis in connection with Alternative Dispute Resolutions (ADRs) under ERCOT Protocols.
- Represent ERCOT in lawsuits and administrative proceedings.



ERCOT Regulatory & Litigation – The Why?

FERC Order Preserves ERCOT Jurisdictional Status

- On March 28, 2018, AEP Energy Partners, Inc. (AEP) requested an order from FERC regarding the flow of power between the ERCOT Region and Mexico over existing connections between the regions.
- On July 26, 2018, FERC granted AEP's request and ordered the provision of transmission services between the ERCOT Region and Mexico over the existing Eagle Pass DC Tie, Laredo VFT and McAllen (Railroad) DC Tie.
- The FERC Order preserves the status quo for ERCOT jurisdiction even if proposed interconnections involving Mexico are completed (e.g., Nogales tie or Baja interconnection to the Mexican national grid).
- “Compliance with FERC Order does not cause ERCOT, AEP Texas, ETT, Sharyland, or any other ERCOT utility or other entity that is not already a public utility to become a “public utility” as that term is defined by section 201 of the FPA and subject to the jurisdiction of the Commission for any purpose other than for the purpose of carrying out the provisions of section 211 of the FPA.”



ERCOT Regulatory & Litigation – The Why?

Switchable Generation Resources During Emergency Operations

- **Issue:** When ERCOT experiences or anticipates an Emergency Condition, may it direct a Switchable Generation Resources (SWGR) operating in a neighboring region to interconnect with the ERCOT System if the system operator in the other region has released the SWGR to ERCOT's control?
- **Legal Basis for Reliability-Based Switch Directives**
 - SWGR owner is registered as a power generation company under PURA and a Resource Entity under ERCOT Protocols – it is bound to follow all ERCOT rules.
 - ERCOT rules and NERC standards authorize ERCOT to issue Reliability Unit Commitment (RUC) instructions and other emergency directives and require Generation Resource operators to comply with these instructions. No exception is made for SWGRs.
 - A generator owner's decision to register in two or more system operator's markets simply requires that ERCOT coordinate such a directive with the neighboring system operator.
 - Lack of synchronization with the ERCOT System does not preclude ERCOT's authority to instruct the SWGR operator in an actual or anticipated Emergency Condition.
- Coordination Agreements exist between ERCOT and SPP, ERCOT and MISO and ERCOT and CENACE (formerly CFE).

ERCOT Regulatory & Litigation – The Why?

Critical Energy Infrastructure Information (CEII)

- **Issue:** Lack of clarity in ERCOT Protocols about what data is considered CEII, and responsibilities of parties that receive or create CEII.
- **Path Forward:** Upcoming Nodal Protocol Revision Request (NPRR) will be sponsored by ERCOT Legal. NPRR aims to do the following:
 - Add list of items that are considered CEII
 - Specify restrictions imposed upon parties that receive or create CEII
 - Provide a framework for the submission of CEII to ERCOT
 - Create a process for contesting ERCOT determinations regarding confidentiality status

