



April 9, 2008

VIA OVERNIGHT AND ELECTONIC MAIL

David Hilt  
Vice President and Director of Compliance  
North American Electric Reliability Corporation  
116-390 Village Boulevard  
Princeton, New Jersey 08540-5721

Re: Reliant Energy Wholesale Generation, LLC Comments to SERC's Regional Entity Notice of Confirmed Violation and Proposed Penalty or Sanction; NERC Violation Tracking Identification Number SERC200700049; SERC Tracking Number 07-219

Dear Mr. Hilt:

Reliant Energy Wholesale Generation, LLC ("REWG") would like to take this opportunity to offer final comment regarding the alleged violation identified in the SERC Regional Entity Notice of Confirmed Violation and Proposed Penalty or Sanction Letter dated March 27, 2008 (the "March 27 SERC Letter"). REWG also respectfully requests this correspondence be included in the publicly posted information relating to this NERC Violation Tracking Identification Number, as well as be included in the materials forwarded to the Federal Energy Regulatory Commission (the "Commission").<sup>1</sup> These comments offer input to the Commission, NERC and Regional Entities regarding the audit process.

1. *Decision to Request a Hearing and Timing of Issuance of Final Audit Report:* In order for a Registered Entity to make an accurate and fair assessment whether to request a hearing concerning an alleged violation, REWG believes that it is crucial from a process perspective for the Registered Entity to have a Final Report from the Regional Entity in order to allow the Registered Entity to have an accurate and complete understanding of the reasoning of the Regional Entity for alleging the violation. In REWG's case, REWG was required to decide whether to request a hearing regarding the alleged violation by March 10, 2008. When asked if REWG would be able to view the SERC Final Audit Report prior to making the decision whether to request a hearing, SERC advised REWG the report would not be available prior to

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<sup>1</sup> It should be noted that the SERC letter dated March 27, 2008 notifying both REWG and NERC of the SERC Confirmed Violation and Proposed Penalty or sanction was mailed by SERC on March 27, 2008, but was received for comment by REWG at 4:56 PM CT on April 1, 2008 via certified mail only, with no electronic transmittal from SERC received by any Reliant Energy employee. However, the SERC letter of March 27, 2008 provides REWG only five (5) business days from the date of the letter to provide NERC with a statement to NERC regarding this "Regional Entity Notice of Confirmed Violation and Proposed Penalty or Sanction." Therefore, given that such an approach to transmitting this information allowed REWG a very short period of time to prepare a written response to NERC to accompany the report when posted by NERC, REWG respectfully requests this letter accompany the report when posted by NERC and transmitted to the Federal Energy Regulatory Commission.

that time. REWG eventually received the Final Audit report dated January 15, 2008 on March 26, 2008.

2. *Inaccurate Description of Alleged Violation*: If a Regional Entity submits an inaccurate statement of an alleged violation for which it proposes no sanction or penalty for that alleged violation, the Registered Entity is put into the position of deciding whether to spend significant amounts of time and money in a hearing to correct the inaccurate description of the alleged violation.

In the REWG alleged violation, the Regional Entity describes the alleged violation as follows: “Entity’s Transmission and Generation Protection System Maintenance and Testing Program does not identify *battery maintenance and testing intervals, the basis for said intervals, or a summary of maintenance and testing procedures.*”<sup>2</sup> However, the two generating facilities owned by REWG provided the Regional Entity with battery maintenance and testing intervals (monthly for one generating facility and quarterly for the other generating facility) and a summary of the maintenance and testing procedures in the form of checklists used by each generating facility when conducting maintenance and testing. Therefore, notwithstanding the fact that the Regional Entity took issue with the documentation provided by REWG (as described below in more detail), REWG believes the Regional Entity statement of alleged violation should have been limited to the *basis* for the maintenance and testing intervals, though even alleging a lack of a basis for the testing intervals is tenuous.<sup>3</sup> REWG requested that the Regional Entity modify the description of the alleged violation accordingly but the Regional Entity declined to do so.

REWG encourages the Commission and NERC to closely compare the exact language of a standard in which a violation is alleged with the actual facts and documentation to ensure the Regional Entity description of the alleged violation is consistent with the Commission-approved Reliability Standard.

3. *Clarification of PRC-005-1 Needed*: Based on the November 1, 2007 SERC audit, the March 27 SERC Letter, and the SERC Final Report of March 26, 2008, REWG understands that SERC expected to see three items referenced *in a single document*: (1) battery maintenance and testing intervals, (2) the basis for those intervals, and (3) a summary of maintenance and testing procedures.<sup>4</sup> Nevertheless, NERC Reliability Standard PRC-005-1 contains no

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<sup>2</sup> Emphasis added.

<sup>3</sup> It is important to note that the REWG “Testing of Relays and Protection Systems” directive provided three bases for intervals of station battery testing: (1) Section 1.4: “The frequency of testing intervals prescribed in this document is *based upon* a reasonable amount of time the devices are expected to perform their protective function without testing or calibration;” (2) Section 3.10: “Battery systems shall be maintained and tested per existing plant battery system maintenance procedures...” (i.e., the checklists labeled monthly checklist and quarterly checklist); and (3) Section 3.10: “Battery systems shall be maintained and tested per ...manufacturer’s instructions.” REWG believes that sufficient basis exists for the maintenance and testing intervals for station batteries.

<sup>4</sup> See SERC March 27 Letter at page 2: “Entity’s *Transmission and Generation Protection System Maintenance and Testing Program* does not identify battery maintenance and testing intervals, the basis for said intervals, or a summary of maintenance and testing procedures;” also see SERC Final Audit Report at page 10: “The Battery maintenance and testing documentation showed that REWG is doing this testing, but *their basis for maintenance*

requirement or instruction that the three elements be contained in the same document. However, the explanation for the violation is grounded in such an assumption, and serves to impose on Registered Entities a requirement not contained in the Commission-approved Reliability Standard.

Notably, REWG provided documentation of established intervals and summaries of maintenance and testing procedures, although not in a single document.<sup>5</sup> For instance, each of the two generating facilities owned by REWG in the SERC region had established intervals for battery maintenance and testing of either monthly or quarterly scheduling of such activities. These intervals were established in maintenance schedules and were fully documented in the battery testing and maintenance templates and testing records provided to SERC during the audit. In REWG's view, to say there were no established intervals is incorrect. REWG also provided templates and testing records to SERC which served as a clear summary of the maintenance and testing procedures followed by each generating facility when conducting maintenance and testing of station batteries. Therefore, from REWG's perspective, SERC's claim that there were no summaries of maintenance and testing procedures produced during the audit is also incorrect.

Therefore, REWG believes it would be helpful if the Commission or NERC were to clarify for Registered Entities and Regional Entities whether a "maintenance and testing program" required by PRC-005-1, Requirement 1 must be in a single document or instead can be found in multiple documents, given that PRC-005-1 does not specifically require that these requirements be documented in a single document.

REWG appreciates the opportunity to comment on this matter.

Respectfully submitted,

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*and testing intervals and a summary of maintenance procedures are not specifically stated in REWG published maintenance and testing program document"* (emphasis added).

<sup>5</sup> SERC also took issue with regard to whether certain statements in the Reliant "umbrella" Maintenance and Testing of Protective Relays document used for PRC-005-1 served to demonstrate a "basis" for maintenance and testing intervals.

North American Electric Reliability Corporation  
April 9, 2008

cc: Tom Gallway, SERC  
Bob Goss, SERC  
John Wolfmeyer, SERC  
Mike DeLaura, NERC  
NERC Compliance and Certification Committee  
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