

August 30, 2013

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: NERC Full Notice of Penalty regarding MP2 Energy, LLC,
FERC Docket No. NP13-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding MP2 Energy, LLC (MP2), NERC Registry ID# NCR11022,² in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).³

MP2 serves as a retail electric provider and operates a Level IV Qualified Scheduling Entity (QSE) that represents assets in the Electric Reliability Council of Texas (ERCOT) market.⁴ MP2's retail

¹ *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (2011). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R § 39.7(c)(2).

² Texas Reliability Entity, Inc. confirmed that MP2 was included on the NERC Compliance Registry as a Generator Operator (GOP) as of May 25, 2010, Load-Serving Entity (LSE) as of April 12, 2010, and Purchasing-Selling Entity (PSE) as of November 6, 2012. As a LSE and GOP, MP2 is subject to the requirements of NERC Reliability Standard IRO-001-1.1 R8 and TOP-001-1 R4. At the time of the violation, MP2 was registered through a Coordinated Functional Registration (CFR) agreement, which identified the allocation of compliance responsibilities for the parties of the CFR.

³ See 18 C.F.R § 39.7(c)(2).

⁴ Entities that participate in the ERCOT wholesale market and conduct wholesale market transactions must be qualified as a QSE or establish a relationship with a QSE to provide scheduling and market services and financial settlement with ERCOT. A Level IV QSE is qualified to represent LSEs and resource entities and provide ancillary services in the ERCOT market.

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load portfolio consists primarily of commercial and industrial customers. The Level IV QSE consists of generation, distributed generation, emergency response services (ERS), load acting as a resource (LaaR), and Emergency Interruptible Load Service (EILS) resources.

This Notice of Penalty is being filed with the Commission because Texas Reliability Entity, Inc. (Texas RE) and MP2 have entered into a Settlement Agreement to resolve all outstanding issues arising from Texas RE’s determination and findings of the violations⁵ of IRO-001-1.1 R8 and TOP-001-1 R4. According to the Settlement Agreement, MP2 neither admits nor denies the violations, but has agreed to the assessed penalty of twelve thousand dollars (\$12,000), in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers TRE2012009919 and TRE2012009920 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on August 20, 2013, by and between Texas RE and MP2 which is included as Attachment a. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7 (2013), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty
Texas Reliability Entity, Inc.	MP2 Energy, LLC	NOC-2135	TRE2012009919	IRO-001-1.1	R8	High	\$12,000
			TRE2012009920	TOP-001-1	R4	High	

⁵ For purposes of this document, each violation at issue is described as a “violation,” regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

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IRO-001-1.1 R8

The purpose statement of Reliability Standard IRO-001-1.1 provides:

Reliability Coordinators must have the authority, plans, and agreements in place to immediately direct reliability entities within their Reliability Coordinator Areas to re-dispatch generation, reconfigure transmission, or reduce load to mitigate critical conditions to return the system to a reliable state. If a Reliability Coordinator delegates tasks to others, the Reliability Coordinator retains its responsibilities for complying with NERC and regional standards. Standards of conduct are necessary to ensure the Reliability Coordinator does not act in a manner that favors one market participant over another.

IRO-001-1.1 R8 provides:

R8. Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Providers, Load-Serving Entities, and Purchasing-Selling Entities shall comply with Reliability Coordinator directives unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the Transmission Operator, Balancing Authority, Generator Operator, Transmission Service Provider, Load-Serving Entity, or Purchasing-Selling Entity shall immediately inform the Reliability Coordinator of the inability to perform the directive so that the Reliability Coordinator may implement alternate remedial actions.

IRO-001-1.1 R8 has a “High” Violation Risk Factor (VRF) and a “Severe” Violation Severity Level (VSL). The subject violation applies to MP2’s Load-Serving Entity (LSE) and Generator Operator (GOP) functions.

On February 2, 2011, the ERCOT region experienced a cold-weather-related event (the Event). Reserve margins in ERCOT fell on the morning of the Event, which resulted in the Reliability Coordinator and Transmission Operator (RC/TOP) declaring an Energy Emergency Alert - 3 (EEA-3) at 5:43 a.m. Central Standard Time (CST) and making a hot-line call to inform entities in ERCOT of the EEA-3 and on-line reserve levels. An EEA-3 is declared when there is difficulty in maintaining a system frequency of 59.8 Hz and firm load will need to be shed. During the call, the RC/TOP issued the first directive to shed 1,000 MW of firm load. The RC/TOP also issued the directive to EILS providers, including MP2, at 5:49 a.m. to interrupt their non-business hour load. The firm load providers had 30 minutes to meet their load shed obligation, and the EILS

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providers had 10 minutes to meet their load shed obligation. At 6:04 a.m., 21 minutes after issuing its first order for 1,000 MW of firm load shed, the RC/TOP issued another directive shedding an additional 1,000 MW of firm load. At 6:23 a.m., 19 minutes after issuing the second order for 1,000 MW of firm load shed, the RC/TOP issued a third load shed directive for an additional 2,000 MW of firm load (4,000 MW total). The RC/TOP issued orders from 7:57 a.m. to 1:07 p.m. that gradually restored the firm load. At 8:50 a.m. the RC/TOP issued a directive for EILS providers to shed their business hours load in addition to the earlier non-business hours load shed. The RC/TOP had the EILS providers hold their load shed until the next day at 10:00 a.m.

During a Spot-Check, conducted from March 12, 2012 through March 15, 2012, Texas RE determined that MP2 had a violation of IRO-001-1.1 R8 for failing to inform its RC of its inability to perform a directive on February 2, 2011. The RC/TOP issued the directive on February 2, 2011 at 5:49 a.m., to deploy EILS. The RC/TOP deployed EILS between 5:59 a.m. on February 2, 2011 and 10:01 a.m. on February 3, 2011. Between 9:00 a.m. and 10:00 a.m. on February 2, 2011, MP2 learned that one of its resources was unable to deploy, but MP2 did not immediately inform the RC/TOP. MP2 failed to meet its total EILS obligation for periods early in the EILS deployment but met that total obligation in all the 15 minute intervals that started at 8:00 a.m. and thereafter because other resources had been shedding more than their obligations. The specific resource was unable to deploy during the entire EILS deployment. The RC/TOP was not informed of the resource's inability to perform.

The chronology of the MP2 violation on February 2, 2011 is as follows:

1. The February 2, 2011 RC/TOP directive that MP2 did not comply with was issued by the RC/TOP at 5:49 a.m. This RC/TOP directive was a verbal dispatch instruction to MP2 and the other (EILS) customers to interrupt EILS load within 10 minutes;
2. At 10:01 a.m. on February 3, 2011, the RC/TOP issued a recall instruction to all EILS load shed providers;
3. MP2 had contracted to interrupt 30 MW of EILS load during all hours;
4. MP2 failed to meet its total EILS obligation for periods early in the EILS deployment but met that total obligation at 8:00 a.m. and thereafter ; and
5. Between 9:00 a.m. and 10:00 a.m. on February 2, 2011, MP2 Energy learned that one of its EILS resources was unable to deploy. That specific resource was unable to deploy during the entire EILS deployment. MP2 did not immediately inform the RC/TOP that

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the EILS resource was unable to deploy and the RC/TOP was not informed of the resource's inability to perform by MP2 during the time the EILS was deployed.

Texas RE determined that MP2 had a violation of IRO-001-1.1 R8 because it failed to inform its RC of its inability to perform a directive.

Texas RE determined the duration of the violation to be one day on February 2, 2011, the date MP2 failed to inform the RC of its inability to perform a directive.

Texas RE determined that this violation posed a minimal and not serious or substantial risk to the reliability of the bulk power system (BPS). Although the ERCOT system had just declared an EEA-3 condition and all resources were necessary to keep the curtailment of firm load to a minimum, MP2 missed supplying its total contractual obligation of 30 MW by 0.54 MW and missed that obligation for 45 minutes of the 28 hours when EILS service was deployed. However, ERCOT was able to obtain alternative sources of load shedding in order to address the conditions that led to the alert. The conditions in ERCOT before 8 a.m. resulted in ERCOT making three calls for firm load shedding of a total of 4,000 MW. The total firm load shed by the entities in ERCOT was between 4,000 MW and 5,000 MW. ERCOT had also called for EILS load to be shed for all of the non-business hours. The total non-business hours EILS load obligation in ERCOT was 384.2 MW and the average load reduction achieved by the entities in ERCOT for the first non-business hour period was 475 MW.

TOP-001-1 R4

The purpose statement of Reliability Standard TOP-001-1 provides: "To ensure reliability entities have clear decision-making authority and capabilities to take appropriate actions or direct the actions of others to return the transmission system to normal conditions during an emergency."

TOP-001-1 R4 provides:

R4. Each Distribution Provider and Load Serving Entity shall comply with all reliability directives issued by the Transmission Operator, including shedding firm load, unless such actions would violate safety, equipment, regulatory or statutory requirements. Under these circumstances, the Distribution Provider or Load Serving Entity shall immediately inform the Transmission Operator of the inability to perform the directive so that the Transmission Operator can implement alternate remedial actions.

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TOP-001-1 R4 has a “High” VRF and a “Severe” VSL. The subject violation applies to MP2’s LSE function.

The ERCOT region experienced unusually high temperatures and high electricity usage throughout the state from August 2, 2011 through August 5, 2011. The temperature in Texas reached record levels, and this stressed the system and depleted the amount of committed generation capacity. As a result of record loads and unplanned outages, ERCOT initiated emergency procedures and a series of progressive steps to ensure grid reliability. On August 4, 2011, for the third consecutive day, the RC/TOP implemented EEA Level 1 at 1:45 p.m. because the physical responsive capability (PRC), a measure of generation reserves, dipped below 2,300 MW. The EEA Level 1 was issued on August 4, 2011 approximately one hour before it had been issued on the two previous days. At 2:32 p.m., the RC/TOP declared EEA Level 2A, as PRC dropped below 1,750 MW. Generally, when EEA Level 2 is reached, ERCOT issues a power warning, which allows operators to interrupt large commercial and industrial load resources. At that time, load resources providing responsive reserve service, referred to as LaaR, were deployed. The reserves continued to decline, and at 3:44 p.m., ERCOT declared EEA Level 2B. The RC/TOP deployed its contracted EILS. At 4:05 p.m., a second EILS deployment for business hours 3 (time periods from 4:00 p.m. to 8:00 p.m.) was issued. As the situation began to improve on the grid, the load resources were recalled at 5:34 p.m. At 5:53 p.m., ERCOT moved back to EEA Level 2A, and then to EEA Level 1 at 6:09 p.m., recalling EILS at that time. The EEA Level 1 was cancelled at 6:52 p.m.

During a Spot Check Texas RE conducted of MP2 from March 12, 2012 through March 15, 2012, Texas RE discovered that MP2 failed to comply with TOP-001-1.1 R4 when it failed to inform its TOP of its inability to perform a directive on August 4, 2011.

The RC/TOP issued a directive to deploy LaaR between 2:32 p.m. and 5:34 p.m. on August 4, 2011. The interruptible load managed by MP2 communicated to MP2 through MP2’s supervisory control and data acquisition (SCADA) system that it had not deployed its LaaR resource at 2:32 p.m. At 2:35 p.m., MP2 directed that the interruptible load’s personnel travel to the three remote load control sites. By 3:42 p.m., the personnel that had traveled to the remote sites had confirmed the earlier SCADA communication that the LaaR resource had not remotely deployed, and the personnel manually deployed the LaaR resource. MP2 did not meet its LaaR obligation until the LaaR resource sites were manually deployed. MP2 did not immediately inform the RC/TOP that the LaaR resource was unable to deploy but did inform the RC/TOP until after the end of the LaaR deployment.

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The chronology of the MP2 violation on August 4, 2011 is as follows.

1. The August 4, 2011 RC/TOP directive that MP2 did not comply with was issued by the RC/TOP at 2:32 p.m. This RC/TOP directive was a verbal dispatch instruction to MP2 and the other LaaR providers to interrupt LaaR load;
2. MP2 had contracted to interrupt 5.3 MW of LaaR load at this time;
3. MP2 sent deployment commands to its LaaR resource with its SCADA system at 2:32 p.m.;
4. The resource communicated to MP2 through MP2's SCADA system that it had not deployed at 2:32 p.m.;
5. At 2:35 p.m., MP2 directed that the resource's personnel travel to the three remote, unattended sites where load reductions were to occur;
6. By 3:42 p.m., the resource's personnel that had traveled to the remote sites had confirmed the earlier SCADA communication that the LaaR resource was not deployed. Those personnel also manually deployed the LaaR resource;
7. At 5:34 p.m. on August 4, 2011, the RC/TOP issued a recall instruction to the LaaR providers; and
8. MP2 did not meet its LaaR obligation until the LaaR resource sites were manually deployed. MP2 did not immediately inform the RC/TOP that the LaaR resource was unable to deploy but informed it after the end of the LaaR deployment.

Texas RE determined that MP2 had a violation of TOP-001-1.1 R4 because it failed to inform its TOP of its inability to perform a directive.

Texas RE determined the duration of the violation to be for one day on August 4, 2011, when the events occurred.

Texas RE determined that this violation posed a minimal and not serious or substantial risk to the reliability of the bulk power system (BPS). Although the ERCOT system was in an EEA Level 2A condition and all resources were necessary to protect the integrity of the ERCOT system, MP2 was only contracted to supply 5.3 MW of LaaR, which represented 0.6% of the total 882.1 MW of LaaR committed in ERCOT, and 0.57 % of the 928.1 MW that was shed by the entities contracted to supply LaaR. Furthermore, MP2 missed that obligation for one hour of the three hours LaaR service was deployed.

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Regional Entity's Basis for Penalty

According to the Settlement Agreement, Texas RE has assessed a penalty of twelve thousand dollars (\$12,000) for the referenced violations. In reaching this determination, Texas RE considered the following factors:

1. the violations constituted MP2's first occurrence of violations of the subject NERC Reliability Standards;
2. MP2 had a internal compliance program(ICP) at the time of the violation which Texas RE considered a mitigating factor;⁶
3. MP2 was cooperative throughout the compliance enforcement process;
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
5. Texas RE determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above; and
6. Texas RE reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, Texas RE determined that, in this instance, the penalty amount of twelve thousand dollars (\$12,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

Status of Mitigation Plans⁷

IRO-001-1.1 R8 and TOP-001-1 R4⁸

MP2's Mitigation Plan to address its violation of IRO-001-1.1 R8 was submitted to Texas RE stating it had been completed on June 12, 2013. The Mitigation Plan was accepted by Texas RE on June 12, 2013 and approved by NERC on June 14, 2013. The Mitigation Plan for this

⁶ MP2 documented its ICP in a document titled *MP2 Energy: Compliance Program*. This program was in effect as of May 25, 2010. MP2 compliance is administered in a host of documents, which range from the employee handbook to emergency operations procedures. The compliance program is administered and implemented by the vice president and chief compliance officer. The CIP senior manager and chief system operator provide oversight of the ICP.

⁷ See 18 C.F.R § 39.7(d)(7).

⁸ The Mitigation Plans for TRE2012009919 and TRE2012009920 are identical in content and timeline.

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violation is designated as TREMIT008619-1 and was submitted as non-public information to FERC on June 14, 2013 in accordance with FERC orders.⁹

MP2's Mitigation Plan to address its violation of TOP-001-1 R4 was submitted as complete to Texas RE on June 12, 2013. The Mitigation Plan was accepted by Texas RE on June 12, 2013 and approved by NERC on June 14, 2013. The Mitigation Plan for this violation is designated as TREMIT008620-1 and was submitted as non-public information to FERC on June 14, 2013 in accordance with FERC orders.

MP2's Mitigation Plans required MP2 to:

1. hold internal meetings to address the violations and work with its QSE agent to increase the detail and level of communication with ERCOT with respect to system issues and directives;
2. revise its emergency operations plan to emphasize the need to notify ERCOT in situations where assets and resources are unable to deploy according to the schedules that ERCOT expects;
3. add a review of the way MP2 manages any resource deployment emergency and consideration of any revisions needed to its emergency operations procedure after each event of emergency operation;
4. implement extensible markup language (XML) notification (via internet) from ERCOT of EILS deployments as a backup to the virtual desktop infrastructure (VDI) notification method;
5. restructure its LaaR SCADA system topography to eliminate the single point of failure that caused the August 4, 2011 delay in deployment; and
6. have its LaaR resource arrange the dispatch of personnel to the remote unattended load shed sites when ERCOT announces any EEA condition (*e.g.*, EEA-1).

MP2 certified on June 12, 2013 that the above Mitigation Plans requirements were completed on June 11, 2013. As evidence of completion of its Mitigation Plan, MP2 submitted the following:

⁹ On April 16, 2012, MP2 submitted Mitigation Plans for IRO-001-1.1 R 8 and TOP-001-1 R4. Texas RE rejected the Mitigation Plans because they did not reflect all of the actions taken by MP2 to mitigate the violations.

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1. Corrective Action #1 – Document MP2.MPAttestationQ1, dated June 11, 2013. Contains information about the activities MP2 took internally to address the issues of the event and the violation;
2. Corrective Action #2 – Document MP2-EOP- 1-2A, dated June 11, 2013. Contains the revised Emergency Operations Plan;
3. Corrective Action #3 – Document MP2-EOP- 1-2A, dated June 11, 2013. Contains the revised Emergency Operations Plan which includes ratification of the review process;
4. Corrective Action #4 – Document MP2 Energy. Notification, dated June 11, 2013. Contains a screen shot of the XML notification information;
5. Corrective Action #5 – Document MP2.Topography.MitigationPlanQ5, dated June 12, 2013. Contains the before and after SCADA system topography; and
6. Corrective Action #6:
 - a. Document RE MP2 Energy Quantum Resources; Protocol Violation 8.4.11;
 - b. Document FW MP2 Energy Quantum Resources; Protocol Violation 8.4.11;
 - c. Both documents are dated November 20, 2011 and demonstrate the LaaR resource commitment to dispatch personnel to the remote sites.

On June 13, 2013, after reviewing MP2's submitted evidence, Texas RE verified that MP2's Mitigation Plan was completed on June 11, 2013.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed¹⁰

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008, October 26, 2009, and August 27, 2010 Guidance Orders,¹¹ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on August 13, 2013. The NERC BOTCC approved the Settlement Agreement, including Texas

¹⁰ See 18 C.F.R. § 39.7(d)(4).

¹¹ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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RE's assessment of a twelve thousand dollar (\$12,000) financial penalty against MP2 and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

In reaching this determination, the NERC BOTCC considered the following factors:

1. the violations constituted MP2's first occurrence of violations of the subject NERC Reliability Standards;
2. MP2 had a compliance program at the time of the violation which Texas RE considered a mitigating factor, as discussed above;
3. Texas RE reported that MP2 was cooperative throughout the compliance enforcement process;
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
5. Texas RE determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above; and
6. Texas RE reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of twelve thousand dollars (\$12,000) is appropriate for the violations and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), the penalty will be effective upon expiration of the 30-day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

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Attachments to be Included as Part of this Notice of Penalty

The attachments to be included as part of this Notice of Penalty are the following documents:

- a) Settlement Agreement by and between Texas RE and MP2 and Addendum A to the Settlement Agreement, Disposition of Violation, included as Attachment a;
- b) Texas RE's Spot-Check Report for IRO-001-1.1 R8 dated March 21, 2012, included as Attachment b;
- c) Texas RE's Spot-Check Report for TOP-001-1 R4 dated March 21, 2012, included as Attachment c;
- d) MP2's Mitigation Plan designated as TREMIT008619-1 for IRO-001-1.1 R8 submitted June 12, 2013, included as Attachment d;
- e) MP2's Mitigation Plan designated as TREMIT008620-1 for TOP-001-1 R4 submitted June 12, 2013, included as Attachment e;
- f) MP2's Certification of Mitigation Plan Completion for IRO-001-1.1 R8 submitted June 12, 2013, included as Attachment f;
- g) MP2's Certification of Mitigation Plan Completion for TOP-001-1 R4 submitted June 12, 2013, included as Attachment g;
- h) Texas RE's Verification of Mitigation Plan Completion for IRO-001-1.1 R8 dated June 13, 2013, included as Attachment h; and
- i) Texas RE's Verification of Mitigation Plan Completion for TOP-001-1 R4 dated June 13, 2013, included as Attachment i.

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Notices and Communications: Notices and communications with respect to this filing may be addressed to the following:

<p>Gerald W. Cauley President and Chief Executive Officer North American Electric Reliability Corporation 3353 Peachtree Road NE Suite 600, North Tower Atlanta, GA 30326 (404) 446-2560</p> <p>Charles A. Berardesco* Senior Vice President and General Counsel North American Electric Reliability Corporation 1325 G Street N.W., Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile charles.berardesco@nerc.net</p> <p>Derrick Davis* Director, Enforcement, Reliability Standards & Registration Texas Reliability Entity, Inc. 805 Las Cimas Parkway Suite 200 Austin, TX 78746 (512) 583-4923 (512) 233-2233 – facsimile derrick.davis@texasre.org</p> <p>Rashida Caraway* Manager, Compliance Enforcement Texas Reliability Entity, Inc. 805 Las Cimas Parkway Suite 200 Austin, TX 78746 (512) 583-4977 (512) 233-2233 – facsimile rashida.caraway@texasre.org</p>	<p>Sonia C. Mendonça* Assistant General Counsel and Director of Enforcement North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile sonia.mendonca@nerc.net</p> <p>Edwin G. Kichline* North American Electric Reliability Corporation Senior Counsel and Associate Director, Enforcement Processing 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile edwin.kichline@nerc.net</p> <p>Robert L Douglas* Vice President, Chief Compliance Officer MP2 Energy, LLC. 21 Waterway Ave. Suite 500 The Woodlands, TX 77380 (832) 510-1042 (832) 510-1128 – facsimile robert.douglas@mp2energy.com</p> <p>*Persons to be included on the Commission’s service list are indicated with an asterisk. NERC requests waiver of the Commission’s rules and regulations to permit the inclusion of more than two people on the service list.</p>
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Conclusion

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Sonia Mendonça

Sonia C. Mendonça
Assistant General Counsel and Director of
Enforcement
North American Electric Reliability
Corporation
1325 G Street N.W.
Suite 600
Washington, DC 20005
(202) 400-3000
(202) 644-8099 – facsimile
sonia.mendonca@nerc.net

Gerald W. Cauley
President and Chief Executive Officer
North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560

Charles A. Berardesco
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street N.W., Suite 600
Washington, DC 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net

Edwin G. Kichline
North American Electric Reliability
Corporation
Senior Counsel and Associate Director,
Enforcement Processing
1325 G Street N.W.
Suite 600
Washington, DC 20005
(202) 400-3000
(202) 644-8099 – facsimile
edwin.kichline@nerc.net

cc: MP2 Energy, LLC
Texas Reliability Entity, Inc.

Attachments

Attachment a

Settlement Agreement by and between Texas RE and MP2 and Addendum A to the Settlement Agreement, Disposition of Violation



SETTLEMENT AGREEMENT
OF
TEXAS RELIABILITY ENTITY, INC.
AND
MP2 ENERGY, LLC

I. INTRODUCTION

1. North American Electric Reliability Corporation (NERC) delegated authority to Texas Reliability Entity, Inc. to become the regional entity for the ERCOT region effective July 1, 2010, pursuant to Section 215(e)(4) of the Federal Power Act. NERC also delegated to Texas Reliability Entity, Inc. the authority and responsibility for the continuation of all compliance monitoring and enforcement activities that it had previously delegated to Texas Regional Entity (a division of Electric Reliability Council of Texas, Inc.). The term "Texas RE" is used herein to refer to both Texas Regional Entity and Texas Reliability Entity, Inc.
2. Texas RE and MP2 Energy, LLC (MP2) enter into this Settlement Agreement ("Settlement Agreement") to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in Texas RE's determination and findings, pursuant to the North American Electric Reliability Corporation ("NERC") Rules of Procedure, of two alleged violations by MP2 of NERC Reliability Standard IRO-001-1.1 Requirement 8 (NERC Violation ID No. TRE2012009919) and Reliability Standard TOP-001-1 Requirement 4 (NERC Violation ID No. TRE2012009920).
3. MP2 neither admits nor denies the violations of NERC Reliability Standard IRO-001-1.1 Requirement 8 and Reliability Standard TOP-001-1 Requirement 4 and has agreed to the proposed penalty of \$12,000 to be assessed to MP2, in addition to other remedies and mitigation actions to mitigate the instant alleged violations and facilitate future compliance under the terms and conditions of the Settlement Agreement.

II. STIPULATION

4. The facts stipulated herein are stipulated solely for the purpose of resolving, between MP2 and Texas RE, the matters discussed herein and do not constitute stipulations or admissions for any other purpose. The attached Disposition Document is incorporated herein in its entirety. MP2 and Texas RE hereby stipulate and agree to the following:

Background

5. See Section I of the Disposition Document for a description of MP2.

Violations of NERC Reliability Standard IRO-001-1.1 Requirement 8 and Reliability Standard TOP-001-1 Requirement 4

6. See Section II of the Disposition Document for the description of the violations.

III. PARTIES' SEPARATE REPRESENTATIONS

STATEMENT OF TEXAS RE AND SUMMARY OF FINDINGS

7. Conditions in the ERCOT Region on February 2, 2011: Reserve margins in ERCOT fell during the morning of February 2, 2011 due to cold weather related generating unit forced outages and de-ratings. This resulted in Reliability Coordinator/Transmission Operator (RC/TOP) declaring an Energy Emergency Alert - 3 (EEA-3) at 05:43 that morning and making a hot-line call to inform entities in ERCOT of the EEA-3 and on-line reserve levels. An EEA-3 is declared when there is difficulty in maintaining a system frequency of 59.8 Hz and firm load will need to be shed. During the call, the RC/TOP issued the first directive to shed 1000 MW of firm load. The RC/TOP also issued the directive to EILS providers (including MP2) at 05:49 to interrupt their non-business hour load. The firm load had 30 minutes to meet their load shed obligation and the EILS providers had 10 minutes to meet their load shed obligation. At 06:04, 21 minutes after issuing its first order for 1000 MW of firm load shed, The RC/TOP issued another directive shedding an additional 1000 MW of firm load. At 06:23, 19 minutes after issuing the second order for 1000 MW of firm load shed, the RC/TOP issued a third load shed directive for an additional 2000 MW firm load (4000 MW total). The RC/TOP issued orders from 07:57 to 13:07 that gradually restored the firm load. At 08:50 the RC/TOP issued a directive for EILS providers to shed their business hours load in addition to the earlier non-business hours load shed. The RC/TOP had the EILS providers hold their load shed until the next day at 10:00.

Conditions in the ERCOT Region on August 4, 2011: The ERCOT region experienced unusually high temperatures and high electricity usage throughout the state during the week of August 2 through August 5, 2011. The temperature in Texas reached record levels and this stressed the system and depleted the amount of committed generation capacity. As a result of record loads and unplanned outages, ERCOT initiated emergency procedures and a series of progressive steps to ensure grid reliability.

On August 4, 2011, for the third consecutive day, the RC/TOP implemented Level One of its Energy Emergency Alert (EEA Level 1) at 1:45 PM as Physical Responsive Capability (PRC), a measure of generation reserves, dipped below 2,300 MW. The EEA Level 1 was issued on August 4 nearly an hour before it had been issued on the two previous days. At 2:32 PM the RC/TOP declared EEA Level

2A, as PRC dropped below 1,750 MW. At that time Load Resources providing Responsive Reserve Service, referred to as Load Acting As a Resource (LaaR), were deployed. However, the situation continued to decline, and at 3:44 PM ERCOT declared EEA Level 2B. The RC/TOP deployed its contracted Emergency Interruptible Loads (EILS). At 4:05 PM a second EILS deployment for Business Hours 3 (Time Periods from 4 PM to 8 PM) was issued.

As the situation began to improve on the grid the Load Resources were recalled at 5:34 pm. At 5:53 PM ERCOT moved to EEA Level 2A, and then to EEA Level 1 at 6:09 PM, recalling EILS at that time. The EEA Level 1 was cancelled at 6:52 PM.

8. Texas RE agrees that this agreement is in the best interest of the parties and in the best interest of bulk power system reliability.

STATEMENT OF MP2

9. MP2 neither admits nor denies that the facts set forth and agreed to by the parties for purposes of this Agreement constitute violations of NERC Reliability Standard IRO-001-1.1 Requirement 8 (NERC Violation ID No. TRE2012009919) and Reliability Standard TOP-001-1 Requirement 4 (NERC Violation ID No. TRE2012009920).
10. Although MP2 does not admit to, nor does it deny, the alleged violation, MP2 has agreed to enter into this Settlement Agreement with Texas RE to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. MP2 agrees that this agreement is in the best interest of the parties and in the best interest of maintaining a reliable electric infrastructure.

IV. MITIGATING ACTIONS, REMEDIES AND SANCTIONS

11. Texas RE and MP2 agree that MP2 has completed and Texas RE has verified completion of the mitigating actions set forth in Section IV of the Disposition Document. Further, Texas RE has verified that MP2 has completed the additional actions addressed in Section IV of the Disposition Document (if any). The Mitigating Actions, Remedies and Sanctions are discussed in detail in the Disposition Document.
12. In order to facilitate Texas RE's need to communicate the status and provide accountability to the ERO (NERC), MP2 will provide updates quarterly, or more frequently, upon request by Texas RE. MP2 will submit these status updates to Texas RE in accordance with the confidentiality provisions of Section 1500 of the NERC Rules of Procedure.
13. It is understood that Texas RE staff shall audit the progress of mitigation plans and any other remedies of this Agreement, including, but not limited to site inspection, interviews, and request other documentation to validate progress and/or completion

of the mitigation plans and any other remedies of this Agreement. Texas RE shall reasonably coordinate audits and information requests with MP2 related to this Agreement.

14. Texas RE staff also consider the specific facts and circumstances of the violations and MP2's actions in response to the violations in determining a proposed penalty that meets the requirement in Section 215 of the Federal Power Act that "[a]ny penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of such user, owner, or operator to remedy the violation in a timely manner."¹ The factors considered by Texas RE staff in the determination of the appropriate penalty are set forth in Section V of the Disposition Document.
15. Based on the above factors, as well as the mitigation actions and preventative measures taken, MP2 shall pay the monetary penalty of \$12,000 to Texas RE, via check within thirty days after the Agreement is either approved by the Federal Energy Regulatory Commission or by operation of law, and Texas RE shall notify NERC if the payment is not received.
16. Failure to make a timely penalty payment or to comply with any of the terms and conditions agreed to herein, or any other conditions of this Settlement Agreement, shall be deemed to be either the same alleged violations that initiated this Settlement and/or additional violation(s) and may subject MP2 to new or additional enforcement, penalty or sanction actions in accordance with the NERC Rules of Procedure.
17. If MP2 does not make the monetary penalty payment above at the times agreed by the parties, interest payable to Texas RE will begin to accrue pursuant to the Commission's regulations at 18 C.F.R. § 35.19(a)(2)(iii) from the date that payment is due, in addition to the penalty specified above. MP2 shall retain all rights to defend against such additional enforcement actions in accordance with NERC Rules of Procedure.

V. ADDITIONAL TERMS

18. The signatories to the Settlement Agreement agree that they enter into the Settlement Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of Texas RE or MP2 has been made to induce the signatories or any other party to enter into the Settlement Agreement.
19. Texas RE shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or

¹ 16 U.S.C. § 824o(e)(6).

- reject the settlement and notify Texas RE and MP2 of changes to the settlement that would result in approval. If NERC rejects the settlement, NERC will provide specific written reasons for such rejection and Texas RE will attempt to negotiate a revised settlement agreement with MP2 including any changes to the settlement specified by NERC. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the settlement, NERC will (i) report the approved settlement to the Commission for the Commission's review and approval by order or operation of law and (ii) publicly post this Settlement Agreement.
20. This Settlement Agreement shall become effective upon the Commission's approval of the Settlement Agreement by order or operation of law as submitted to it or as modified in a manner acceptable to the parties.
 21. MP2 agrees that this Settlement Agreement, when approved by NERC and the Commission, shall represent a final settlement of all matters set forth herein and MP2 waives its right to further hearings and appeal, unless and only to the extent that MP2 contends that any NERC or Commission action on the Settlement Agreement contains one or more material modifications to the Settlement Agreement. Texas RE reserves all rights to initiate enforcement, penalty or sanction actions against MP2 in accordance with the NERC Rules of Procedure in the event that MP2 fails to comply with the Mitigation Plan and compliance program agreed to in this Settlement Agreement. In the event MP2 fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, Texas RE will initiate enforcement, penalty, or sanction actions against MP2 to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. Except as otherwise specified in this Settlement Agreement, MP2 shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
 22. MP2 consents to the use of Texas RE's determinations, findings, and conclusions set forth in this Agreement for the purpose of assessing the factors, including the factor of determining the company's history of violations, in accordance with the NERC Sanction Guidelines and applicable Commission orders and policy statements. Such use may be in any enforcement action or compliance proceeding undertaken by NERC and/or any Regional Entity; provided, however, that MP2 does not consent to the use of the specific acts set forth in this Settlement Agreement as the sole basis for any other action or proceeding brought by NERC and/or Texas RE, nor does MP2 consent to the use of this Settlement Agreement by any other party in any other action or proceeding.
 23. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Settlement Agreement on the entity's behalf.
 24. The undersigned representative of each party affirms that he or she has read the Settlement Agreement, that all of the matters set forth in the Settlement Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Settlement Agreement is entered into by such party in express reliance on those representations., provided, however, that such

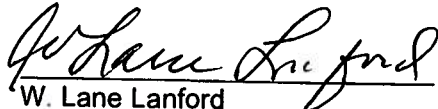


MP2 Energy, LLC

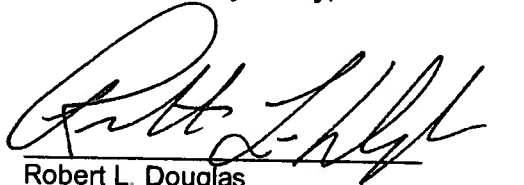
affirmation by each party's representative shall not apply to the other party's statements of position set forth in Section III of this Settlement Agreement.

- 25. The Settlement Agreement may be signed in counterparts.
- 26. This Settlement Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

Agreed to and accepted:


W. Lane Lanford
President & CEO
Texas Reliability Entity, Inc.

8/20/13
Date


Robert L. Douglas
Vice President, Chief Compliance Officer
MP2 Energy, LLC.

8/20/13
Date



Addendum A

DISPOSITION OF VIOLATION¹

NERC TRACKING NO. TRE2012009919 – IRO-001-1.1 R8	REGIONAL ENTITY TRACKING NO. TRE2012009919 – IRO-001-1.1 R8	NOC#
TRE2012009920 – TOP-001-1 R4	TRE2012009920 – TOP-001-1 R4	

REGISTERED ENTITY MP2 Energy, LLC (MP2)	NERC REGISTRY ID. NCR11022
REGIONAL ENTITY Texas Reliability Entity, Inc. (“Texas RE”)	

I. REGISTRATION INFORMATION

ENTITY IS REGISTERED FOR THE FOLLOWING FUNCTIONS (BOTTOM ROW INDICATES REGISTRATION DATE):

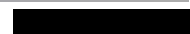
BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
			X		X		X							
			5/25/10		4/12/10		11/6/12							

* Violation applies to shaded functions

DESCRIPTION OF THE REGISTERED ENTITY

MP2 Energy, LLC serves as a Retail Electric Provider and operates a Level IV QSE that represents assets in the ERCOT market. The Retail Load portfolio consists primarily of Commercial and Industrial customers. The level IV QSE consists of generation, distributed generation, ERS, and LaaR resources.

¹ For purposes of this document and attachments hereto, each violation at issue is described as a “violation,” regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.



II. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
IRO-001-1.1	8		High	High
TOP-001-1	4		High	Severe

Purpose of Reliability Standard IRO-001-1.1: Reliability Coordinators must have the authority, plans, and agreements in place to immediately direct reliability entities within their Reliability Coordinator areas to re-dispatch generation, reconfigure transmission, or reduce load to mitigate critical conditions to return the system to a reliable state. If a Reliability Coordinator delegates tasks to others, the Reliability Coordinator retains its responsibilities for complying with NERC and regional standards. Standards of conduct are necessary to ensure the Reliability Coordinator does not act in a manner that favors one market participant over another.

Purpose of Reliability Standard TOP-001-1: To ensure reliability entities have clear decision-making authority and capabilities to take appropriate actions or direct the actions of others to return the transmission system to normal conditions during an emergency.

TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

Reliability Standard IRO-001-1.1 Requirement 8: Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Providers, Load-Serving Entities, and Purchasing-Selling Entities shall comply with Reliability Coordinator directives unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the Transmission Operator, Balancing Authority, Generator Operator, Transmission Service Provider, Load-Serving Entity, or Purchasing-Selling Entity shall immediately inform the Reliability Coordinator of the inability to perform the directive so that the Reliability Coordinator may implement alternate remedial actions.

Reliability Standard TOP-001-1 Requirement 4: Each Distribution Provider and Load Serving Entity shall comply with all reliability directives issued by the Transmission Operator, including shedding firm load, unless such actions would violate safety, equipment, regulatory or statutory requirements. Under these circumstances, the Distribution Provider or Load Serving Entity shall immediately inform the Transmission Operator of the inability to perform the directive so that the Transmission Operator can implement alternate remedial actions.

VIOLATION DESCRIPTION²

During a spot check Texas RE conducted of MP2 from March 12-15, 2012, Texas RE discovered non-compliance with two Reliability Standards. Specifically, MP2 violated Reliability Standard IRO-001-1.1, R8 for failing to inform its Reliability Coordinator (RC) of its inability to perform a directive. MP2 also violated TOP-001-1.1, R4 for failing to inform its Transmission Operator (TOP) of its inability to perform a directive. MP2, as a registered LSE, were issued two directives by its RC/TOP and did not immediately inform the RC/TOP of its inability to perform the directives.

The RC/TOP issued the first directive on February 2, 2011 at 05:49 am, to deploy Emergency Interruptible Load Service (EILS), and the second directive was on August 4, 2011 at 14:32 pm, to deploy Load Acting as a Resource (LaaR). The RC/TOP deployed EILS between 5:59 am, 2/2/2011, and 10:01 am, 2/3/2011. Between 9:00 am and 10:00 am on 2/2/2011, MP2 Energy learned that one of its resources was unable to deploy but MP2 did not immediately inform the RC/TOP. MP2 failed to meet its total EILS obligation for periods early in the EILS deployment but met that total obligation at 8:00 am and later. The specific resource was unable to deploy during the entire EILS deployment. The RC/TOP was not informed of the resource's inability to perform.

The RC/TOP issued the second directive to deploy LaaR between 2:32 pm, 8/4/2011 and 5:34 pm, 8/4/2011. The resource communicated to MP2 through MP2's SCADA system that it had not deployed at 2:32 pm. Then at 2:35 pm MP2 directed that the resource's personnel travel to the three remote load control sites. By 3:42 pm the personnel that had traveled to the remote sites had confirmed the earlier SCADA communication (that the LaaR resource had not remotely deployed) and the personnel manually deployed them. MP2 did not meet its LaaR obligation until the LaaR resource sites were manually deployed. MP2 did not immediately inform the RC/TOP that the LaaR resource was unable to deploy but did inform the RC/TOP until after the end of the LaaR deployment.

Specifics of the MP2 violation on February 2, 2011:

- i. The February 2, 2011 RC/TOP directive that MP2 did not comply with was issued by the RC/TOP at 5:49 am CST. This RC/TOP directive was a Verbal Dispatch Instruction to MP2 and the other Emergency

² At the time of the violation, MP2 was registered through a Coordinated Functional Registration (CFR) agreement. The CFR includes the following language which identifies the allocation of compliance responsibilities for the parties of the CFR:

- “1. If directed by the Reliability Coordinator [Transmission Operator], Entity B will inform its LaaR and EILS resources that the Reliability Coordinator has issued a directive that requires the EILS or LaaR to deploy unless such action would violate safety, equipment, or regulatory or statutory requirements. Entity B will have documentation (e.g. contract, attestation, etc.) that the LaaR or EILS will deploy when such a directive is issued.
2. If the LaaR or EILS resource is unable to deploy and communicates this to Entity B, Entity B will immediately inform the Reliability Coordinator.

- Interruptible Load Service (EILS) customers to interrupt EILS load within 10 minutes.
- ii. At 10:01 am, February 3, 2011, the RC/TOP issued a recall instruction to all EILS load shed providers.
 - iii. MP2 had contracted to interrupt 30 MW of EILS load during all hours.
 - iv. MP2 failed to meet its total EILS obligation for periods early in the EILS deployment but met that total obligation at 8:00 am and later.
 - v. Between 9:00 am and 10:00 am on 2/2/2011, MP2 Energy learned that one of its EILS resources was unable to deploy. That specific resource was unable to deploy during the entire EILS deployment. MP2 did not immediately inform the RC/TOP that the EILS resource was unable to deploy and the RC/TOP was not informed of the resource's inability to perform by MP2 during the time the EILS was deployed.

Specifics of the MP2 violation on August 4, 2011:

- i. The August 4, 2011 RC/TOP directive that MP2 did not comply with was issued by the RC/TOP at 2:32 pm CPT. This RC/TOP directive was a Verbal Dispatch Instruction to MP2 and the other Load Acting As a Resource (LaaR) providers to interrupt LaaR load.
- ii. At 5:34 pm on August 4, 2011 the RC/TOP issued a recall instruction to the LaaR providers.
- iii. MP2 had contracted to interrupt 5.3 MW of LaaR load at this time.
- iv. MP2 sent deployment commands to their LaaR resource with their SCADA system at 2:32 pm.
- v. The resource communicated to MP2 through MP2's SCADA system that it had not deployed at 2:32 pm.
- vi. At 2:35 pm MP2 directed that the resource's personnel travel to the three remote, unattended, sites where load reductions were to occur.
- vii. By 3:42 pm the resource's personnel that had traveled to the remote sites had confirmed the earlier SCADA communication that the LaaR resource hadn't deployed. Those personnel also manually deployed the LaaR resource.
- viii. MP2 did not meet their LaaR obligation until the LaaR resource sites were manually deployed. MP2 did not immediately inform the RC/TOP that the LaaR resource was unable to deploy but informed it after the end of the LaaR deployment.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

Texas RE determined that first violation of these standards posed a minimal risk and did not pose a serious or substantial risk to the bulk power system, because even though the ERCOT system had just declared an EEA3 (unable to maintain 59.8 Hz, firm load will be shed) condition and all resources were necessary to keep the curtailment of firm load to a minimum, MP2 only missed supplying its total contractual obligation of 30 MW by 0.54 MW and only missed that obligation for 45 minutes of the 28 hours EILS service was deployed.

Texas RE determined that the second violation of these standards posed a minimal risk and did not pose a serious or substantial risk to the bulk power system because even though the ERCOT system was in an EEA Level 2A condition and all resources were necessary to protect the integrity of the ERCOT system, MP2 was only contracted to supply 5.3 MW of LaaR (0.6% of the total committed in ERCOT of 882.1 MW and 0.57 % of the 928.1 MW that was actually committed) and only missed that obligation for one hour of the three hours LaaR service was deployed.

IS THERE A SETTLEMENT AGREEMENT

 Yes

 No
WITH RESPECT TO THE ALLEGED/CONFIRMED VIOLATION, REGISTERED ENTITY

 Neither admits nor denies it (settlement only)

 Admits to it

 Does not contest it (Including within 30 days)
WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

 Accepts it/Does not contest it
III. DISCOVERY INFORMATION
METHOD OF DISCOVERY

 Self-Report

 Self-Certification

 Compliance Audit

 Compliance Violation Investigation

 Spot Check

 Complaint

 Periodic Data Submittal

 Exception Reporting
DURATION DATE(S)

02/02/2011 and 08/04/2011

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

03/14/2012

 Is the violation still occurring Yes No

Explain if yes

 Remedial Action Directive issued Yes No

IV. MITIGATION INFORMATION

MITIGATION PLAN NO. TREMIT008619-1 (IRO-001-1.1 R8) and TREMIT008620-1 (TOP-001-1 R8)³
Date Submitted to Regional Entity 06/12/2013

Date Accepted by Regional Entity 06/12/2013

Date approved by NERC 06/14/2013

Date provided to FERC 06/14/2013

Identify and explain all prior versions that were accepted or rejected, if applicable
 On April 16, 2012, MP2 submitted mitigation plans for both Reliability Standard IRO-001-1.1 Requirement 8 and TOP-001-1 Requirement 4. Texas RE rejected the plans because they did not reflect all of the actions taken by MP2 to mitigate the violation.

MITIGATION PLAN COMPLETED Yes No
Expected completion date 04/16/2012⁴
Extensions granted N/A

Date of Certification Letter 06/12/2013

Certified as complete by Registered Entity as of 06/11/2013

Date of Verification Letter 06/13/2013

Verified actually complete by Regional Entity as of 06/11/2013

Actions taken to mitigate the issue and prevent recurrence

³ The Mitigation Plans for both violations, TRE2012009919 and TRE2012009920, are identical in content and timeline.

⁴ In the second revisions of the Mitigation Plans, the expected completion dates were not updated to reflect the new expected completion date of 06/11/2013.

1. Held internal meetings to address the alleged violation and worked with their QSE Agent to increase the detail and level of communication with ERCOT with respect to system issues and/or directives.
2. Revised its Emergency Operations Plan to emphasize the need to notify ERCOT in situations where Assets and Resources are unable to deploy on the schedules that ERCOT expects.
3. Added a review of the way MP2 manages any Resource deployment emergency and consideration of any revisions needed to their Emergency Operations Procedure after each event of emergency operation.
4. Implemented XML notification (via internet) from ERCOT of EILS deployments as a backup to the VDI notification method.
5. Restructured its LaaR SCADA system topography to eliminate the single point of failure that caused the 8/4/2011 delay in deployment.
6. Had its LaaR resource arrange the dispatch of personnel to the remote unattended load shed sites when ERCOT announces any EEA condition (e.g. EEA-1).

List of evidence reviewed by Regional Entity to evaluate completion of Mitigation Plan or Milestones (for cases in which mitigation is not yet completed, list evidence reviewed for completed milestones)

1. Corrective Action #1 – Document MP2.MPAttestationQ1, dated 6/11/2013, contains information about the activities MP2 took internally to address the issues of the event and the violation.
2. Corrective Action #2 – Document MP2-EOP- 1-2A, dated 6/11/2013, contains the revised Emergency Operations Plan
3. Corrective Action #3 – Document MP2-EOP- 1-2A, dated 6/11/2013, contains the revised Emergency Operations Plan which includes ratification of the review
4. Corrective Action #4 – Document MP2 Energy.Notification, dated 6/11/2013, contains a screen shot of the XML notification information
5. Corrective Action #5 – Document MP2.Topography.MitigationPlanQ5 , dated 6/12/2013, contains the before and after SCADA system topography
6. Corrective Action #6 – Document RE MP2 Energy Quantum Resources - Protocol Violation 8.4.11 and Document FW MP2 Energy Quantum Resources - Protocol Violation 8.4.11, both Emails dated 10/20/2011, demonstrate the LaaR resource commitment to dispatch personnel to the remote sites

V. PENALTY INFORMATION

ASSESSED PENALTY OR SANCTION

\$12,000

(1) Registered Entity's compliance history

Previous filed violations of any of the Reliability Standard(s) or Requirement(s) thereunder

Yes No

List violations and status

Additional comments

Previously filed violations of other Reliability Standard(s) or Requirement(s) thereunder

Yes No

List violations and status

Additional comments

(2) The degree and quality of cooperation by the Registered Entity

Full cooperation Yes No

If no, explain

(3) The presence and quality of the Registered Entity's Compliance Program

Is there a documented compliance program

Yes No Undetermined

Explain

MP2 documents its Internal Compliance Program in a document titled MP2 Energy: Compliance Program. This program was in effect as of May 25, 2010. MP2 compliance is administered in a host of documents, which range from the employee handbook to emergency operations procedures. The compliance program is administered and implemented by Robert Douglas, VP and Chief Compliance Officer. Russell Schwertner, CIP Senior Manager and Chief System Operator, provides oversight.

Explain Senior Management's Role and involvement with respect to the Registered Entity's Compliance Program, including whether senior management takes actions that support the compliance program, such as training, compliance as factor in employee evaluations, or otherwise.

Russell Schwertner and Robert Douglas are Senior Managers at MP2. Russell Schwertner holds the Reliability Coordinator Certification from NERC and meets all the continuing education requirements.

(4) Any attempt by the Registered Entity to conceal the violation(s) or information needed to review, evaluate, or investigate the violation

Yes No

Explain if Yes

(5) Any evidence the violation(s) were intentional

Yes No

Explain if Yes

(6) Any other mitigating factors for consideration

Yes No

Explain if Yes

(7) Any other aggravating factors for consideration

Yes No

Explain if Yes

(8) Any other extenuating circumstances

Yes No

Explain if Yes

OTHER RELEVANT INFORMATION

Notice of Alleged Violation issued

Date
Or N/A

Settlement discussions commenced

Date 06/04/2013
Or N/A

Notice of Confirmed Violation issued

Date
Or N/A

Supplemental Record information

Date(s)
Or N/A

Registered Entity response contested

Findings
Penalty
Both

Did not contest

Hearing RequestedYes No

Date

Outcome

Appeal Requested

EXHIBITS

Source Document

Mitigation Plan

Certification of Completion

Verification by Regional Entity

Attachment b

Texas RE's Spot-Check Report for IRO-001-1.1 R8 dated March 21, 2012

Violation - Discovery Record

Registered Entity: MP2 Energy, LLC
NERC Registry ID: NCR11022

NERC Violation ID: TRE2012009919
Discovery Method: Spot Check

Date Submitted: March 21, 2012
Region Contact: Mark Scovill

Phone: 512-583-4943 Email: mark.scovill@texasre.org

Standard: IRO-001-1.1 - Reliability Coordination - Responsibilities and Authorities

Purpose: Reliability Coordinators must have the authority, plans, and agreements in place to immediately direct reliability entities within their Reliability Coordinator Areas to re-dispatch generation, reconfigure transmission, or reduce load to mitigate critical conditions to return the system to a reliable state. If a Reliability Coordinator delegates tasks to others, the Reliability Coordinator retains its responsibilities for complying with NERC and regional standards. Standards of conduct are necessary to ensure the Reliability Coordinator does not act in a manner that favors one market participant over another.

Requirement: R8

Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Providers, Load-Serving Entities, and Purchasing-Selling Entities shall comply with Reliability Coordinator directives unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the Transmission Operator, Balancing Authority, Generator Operator, Transmission Service Provider, Load-Serving Entity, or Purchasing-Selling Entity shall immediately inform the Reliability Coordinator of the inability to perform the directive so that the Reliability Coordinator may implement alternate remedial actions.

Violated Sub-Req(s):

Violated Function(s): LSE

Init Determ a Vltn: March 14, 2012

Begin Date of Vltn: February 02, 2011

End Date: August 04, 2011

Notified of Vltn on: March 14, 2012

Potential Impact to BES: The Reliability Coordinator (ERCOT) was denied an opportunity to implement alternate remedial actions during the February 2, 2011 energy emergency because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Emergency Interruptible Load Service (EILS) as directed, and on August 4, 2011 because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Load Acting As A Resource (LaaRs) as directed.

Brief Vltn Descr. & Cause: MP2 as a registered LSE, in responding to the Reliability Coordinator directive given February 2, 2011 at 05:46 am to deploy Emergency Interruptible Load Service (EILS) provisions, and in responding to the Reliability Coordinator directive given August 4, 2011 to deploy Load Acting As A Resource (LaaRs), did not immediately inform the Reliability Coordinator of an inability to fully meet the EILS or LaaRs obligations due to safety issues at the FMC Bayport Plant (for EILS) and due to SCADA equipment failure at Quantum Resources (for LaaRs).
Time Frame of Possible Violation: February 2, 2011 and August 4, 2011

Alleged Violation:

Registered Entity
Report/Response:

Risk Factor: High

Severity Level: LNC - Level 4

Factual Basis: Refer to RSAW notes for details.

MP2 as a registered LSE, in responding to the Reliability Coordinator directive given February 2, 2011 at 05:46 am to deploy Emergency Interruptible Load Service (EILS) provisions, and in responding to the Reliability Coordinator directive given August 4, 2011 to deploy Load Acting As A Resource (LaaRs), did not immediately inform the Reliability Coordinator of an inability to fully meet the EILS or LaaRs obligations due to safety issues at the FMC Bayport Plant (for EILS) and due to SCADA equipment failure at Quantum Resources (for LaaRs).

Time Frame of Possible Violation: February 2, 2011 and August 4, 2011

Attachment c

Texas RE's Spot-Check Report for TOP-001-1 R4 dated March 21, 2012

Violation - Discovery Record

Registered Entity: MP2 Energy, LLC

NERC Registry ID: NCR11022

NERC Violation ID: TRE2012009920

Discovery Method: Spot Check

Date Submitted: March 21, 2012

Region Contact: Mark Scovill

Phone: 512-583-4943 Email: mark.scovill@texasre.org

Standard: TOP-001-1 - Reliability Responsibilities and Authorities

Purpose: To ensure reliability entities have clear decision-making authority and capabilities to take appropriate actions or direct the actions of others to return the transmission system to normal conditions during an emergency.

Requirement: R4

Each Distribution Provider and Load Serving Entity shall comply with all reliability directives issued by the Transmission Operator, including shedding firm load, unless such actions would violate safety, equipment, regulatory or statutory requirements. Under these circumstances, the Distribution Provider or Load Serving Entity shall immediately inform the Transmission Operator of the inability to perform the directive so that the Transmission Operator can implement alternate remedial actions.

Violated Sub-Req(s):

Violated Function(s): LSE

Init Determ a Vltn: March 14, 2012

Begin Date of Vltn: February 02, 2011

End Date: August 04, 2011

Notified of Vltn on: March 14, 2012

Potential Impact to BES: The Transmission Operator (ERCOT) was denied an opportunity to implement alternate remedial actions during the February 2, 2011 energy emergency because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Emergency Interruptible Load Service (EILS) as directed, and on August 4, 2011, because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Load Acting As A Resource (LaaRs) as directed

Brief Vltn Descr. & Cause: MP2 as a registered LSE, in responding to the Transmission Operator reliability directive given February 2, 2011 at 05:46 am to deploy Emergency Interruptible Load Service (EILS) provisions, and in responding to the Transmission Operator directive given August 4, 2011 to deploy Load Acting As A Resource (LaaRs), did not immediately inform the Transmission Operator of an inability to fully meet the EILS or LaaRs obligations due to safety issues at the FMC Bayport Plant (for EILS), and due to to SCADA equipment failure at Quantum Resources (for LaaRs).
Time Frame of Possible Violation: February 2, 2011 and August 4, 2011

Alleged Violation:

Registered Entity
Report/Response:

Risk Factor: High

Severity Level: LNC - Level 4

Factual Basis: MP2 as a registered LSE, in responding to the Transmission Operator reliability directive given February 2, 2011 at 05:46 am to deploy Emergency Interruptible Load Service (EILS) provisions, and in responding to the Transmission Operator directive given August 4, 2011 to deploy Load Acting As A

Resource (LaaRs), did not immediately inform the Transmission Operator of an inability to fully meet the EILS or LaaRs obligations due to safety issues at the FMC Bayport Plant (for EILS), and due to to SCADA equipment failure at Quantum Resources (for LaaRs).
Time Frame of Possible Violation: February 2, 2011 and August 4, 2011

Attachment d

**MP2's Mitigation Plan designated as
TREMIT008619-1 for IRO-001-1.1 R8
submitted June 12, 2013**

Mitigation Plan

Registered Entity: MP2 Energy, LLC

Mit Plan Code	NERC Violation ID	Requirement	Violation Validated On	Mit Plan Version
	TRE2012009919	IRO-001-1.1 R8	03/14/2013	2

Mitigation Plan Submitted On: June 12, 2013

Mitigation Plan Accepted On: June 12, 2013

Mitigation Plan Proposed Completion Date: April 16, 2012

Actual Completion Date of Mitigation Plan:

Mitigation Plan Certified Complete by MP2 On:

Mitigation Plan Completion Verified by TRE On:

Mitigation Plan Completed? (Yes/No): No

Section A: Compliance Notices

Section 6.2 of the NERC CMEP sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:

- (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section B.
 - (2) The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
 - (3) The cause of the Alleged or Confirmed Violation(s).
 - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
 - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
 - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
 - (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
 - (8) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined or recommended to the applicable governmental authorities for not completing work associated with accepted milestones.
 - (9) Any other information deemed necessary or appropriate.
 - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self Certification or Self Reporting submittals.
 - (11) This submittal form may be used to provide a required Mitigation Plan for review and approval by regional entity(ies) and NERC.
- The Mitigation Plan shall be submitted to the regional entity(ies) and NERC as confidential information in accordance with Section 1500 of the NERC Rules of Procedure.
 - This Mitigation Plan form may be used to address one or more related alleged or confirmed violations of one Reliability Standard. A separate mitigation plan is required to address alleged or confirmed violations with respect to each additional Reliability Standard, as applicable.
 - If the Mitigation Plan is accepted by regional entity(ies) and approved by NERC, a copy of this Mitigation Plan will be provided to the Federal Energy Regulatory Commission or filed with the applicable governmental authorities for approval in Canada.
 - Regional Entity(ies) or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
 - Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.
 - The user has read and accepts the conditions set forth in these Compliance Notices.

Section B: Registered Entity Information

B.1 Identify your organization:

Entity Name: MP2 Energy, LLC

NERC Compliance Registry ID: NCR11022

Address: 21 Waterway Ave., Suite 500
The Woodlands TX 77380

B.2 Identify the individual in your organization who will serve as the Contact to the Regional Entity regarding this Mitigation Plan. This person shall be technically knowledgeable regarding this Mitigation Plan and authorized to respond to Regional Entity regarding this Mitigation Plan:

Name: Robert L Douglas

Title: Vice President

Email: robert.douglas@mp2energy.com

Phone: 832-460-1890

Section C: Identification of Reliability Standard Violation(s) Associated with this Mitigation Plan

C.1 This Mitigation Plan is associated with the following violation(s) of the reliability standard listed below:

Violation ID	Date of Violation	Requirement
Requirement Description		
TRE2012009919	02/02/2011	IRO-001-1.1 R8
Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Providers, Load-Serving Entities, and Purchasing-Selling Entities shall comply with Reliability Coordinator directives unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the Transmission Operator, Balancing Authority, Generator Operator, Transmission Service Provider, Load-Serving Entity, or Purchasing-Selling Entity shall immediately inform the Reliability Coordinator of the inability to perform the directive so that the Reliability Coordinator may implement alternate remedial actions.		

C.2 Brief summary including the cause of the violation(s) and mechanism in which it was identified above:

The Transmission Operator (ERCOT) was denied an opportunity to implement alternate remedial actions during the February 2, 2011 energy emergency because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Emergency Interruptible Load Service (EILS) as directed, and on August 4, 2011, because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Load Acting As A Resource (LaaRs) as directed.

C.3 Provide any relevant information regarding the identification of the violation(s) associated with this Mitigation Plan:

MP2, as a registered LSE, in responding to the Transmission Operator reliability directive given February 2, 2011 at 05:46 am to deploy Emergency Interruptible Load Service (EILS) provisions, and in responding to the Transmission Operator directive given August 4, 2011 to deploy Load Acting As A Resource (LaaRs), did not immediately inform the Transmission Operator of an inability to fully meet the EILS or LaaRs obligations due to safety issues at the FMC Bayport Plant (for EILS), and due to SCADA equipment failure at Quantum Resources (for LaaRs).

Time Frame of Possible Violation: February 2, 2011 and August 4, 2011

Section D: Details of Proposed Mitigation Plan

- D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the violation(s) identified above in Section C.1 of this form:

In addition to the actions taken at the time of the violations, MP2's mitigation plan will prevent or minimize the probability that further violations of the same or similar reliability standards requirements will occur. In pursuit of that goal MP2 has:

1. Held internal meetings to address the alleged violation and worked with their QSE Agent to increase the detail and level of communication with ERCOT with respect to system issues and/or directives.
2. Revised its Emergency Operations Plan to emphasize the need to notify ERCOT in situations where Assets and Resources are unable to deploy on the schedules that ERCOT expects.
3. Added a review of the way MP2 manages any Resource deployment emergency and consideration of any revisions needed to their Emergency Operations Procedure after each event of emergency operation.
4. Implemented XML notification (via internet) from ERCOT of EILS deployments as a backup to the VDI notification method.
5. Restructured its LaaR SCADA system topography to eliminate the single point of failure that caused the 8/4/2011 delay in deployment.
6. Had its LaaR resource arrange the dispatch of personnel to the remote unattended load shed sites when ERCOT announces any EEA condition (e.g. EEA-1).

- D.2 Provide the timetable for completion of the Mitigation Plan, including the completion date by which the Mitigation Plan will be fully implemented and the violations associated with this Mitigation Plan are corrected:

Proposed Completion date of Mitigation Plan: April 16, 2012

- D.3 Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

- D.4 Additional Relevant Information (Optional)

MP2 reduced the risk to the BES on 2/2/2011 by having its deployed resources produce more shed load than they were obligated to. This resulted in MP2 successfully shedding its total contracted 30 MW in all 15 minute measured periods of the 26 hours of load shed except three. MP2 reduced the risk to the BES on 8/4/2011 by dispatching personnel within three minutes of realizing that their SCADA deployment of LaaR resources had not deployed as expected. This allowed MP2 to manually deploy their 5.3 MW of LaaR earlier than they would have otherwise.

Section E: Interim and Future Reliability Risk

E.1 Abatement of Interim BPS Reliability Risk

While your organization is implementing the Mitigation Plan proposed in Section D of this form, the reliability of the Bulk Power System may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

The violation is for not informing ERCOT of the inability of one of MP2's resources to deploy. Once MP2 was aware that it should have informed ERCOT immediately upon learning of issues with their resources MP2 met internally and initiated internal process so that they would be compliant in the future. The revised Emergency Operations Plan ratifies those internal process changes.

E.2 Prevention of Future BPS Reliability Risk

Describe how successful completion of the Mitigation Plan as laid out in Section D of this form will prevent or minimize the probability that your organization incurs further violations of the same or similar reliability standards requirements in the future:

MP2 is now aware of the need to inform ERCOT immediately upon learning of issues with resources and, as part of their plan, has incorporated that into their procedures. The plan also minimizes the probability of similar hardware issues that caused the inability and delay in resource deployment.

E.3 Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Section D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Section C.1, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

MP2 settled an enforcement action concerning this EILS violation that was brought by the Texas PUC and paid a penalty of \$10,000.

Section F: Authorization

An authorized individual must sign and date the signature page. By doing so, this individual, on behalf of your organization:

- (a) Submits the Mitigation Plan, as laid out in Section D, to the Regional Entity for acceptance and approval by NERC, and
- (b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and

(c) Acknowledges:

- 1. I am Vice President of MP2 Energy, LLC
- 2. I am qualified to sign this Mitigation Plan on behalf of MP2 Energy, LLC
- 3. I have read and understand MP2 Energy, LLC's obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure and the NERC CMEP currently in effect or the NERC CMEP-Province of Manitoba, Schedule B currently in effect, whichever is applicable.
- 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
- 5. MP2 Energy, LLC Agrees to be bound by, and comply with, this Mitigation Plan, including the timetable completion date, as accepted by the Regional Entity, NERC, and if required, the applicable governmental authorities in Canada.

Authorized Individual Signature: _____
(Electronic signature was received by the Regional Office via CDMS. For Electronic Signature Policy see CMEP.)

Authorized Individual

Name: Robert L Douglas

Title: Vice President

Authorized On: April 16, 2012

Attachment e

**MP2's Mitigation Plan designated as
TREMIT008620-1 for TOP-001-1 R4
submitted June 12, 2013**

Mitigation Plan

Registered Entity: MP2 Energy, LLC

Mit Plan Code	NERC Violation ID	Requirement	Violation Validated On	Mit Plan Version
	TRE2012009920	TOP-001-1 R4	03/14/2013	2

Mitigation Plan Submitted On: June 12, 2013

Mitigation Plan Accepted On: June 12, 2013

Mitigation Plan Proposed Completion Date: April 16, 2012

Actual Completion Date of Mitigation Plan:

Mitigation Plan Certified Complete by MP2 On:

Mitigation Plan Completion Verified by TRE On:

Mitigation Plan Completed? (Yes/No): No

Section A: Compliance Notices

Section 6.2 of the NERC CMEP sets forth the information that must be included in a Mitigation Plan. The Mitigation Plan must include:

- (1) The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section B.
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 - (4) The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
 - (5) The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed violation(s).
 - (6) The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
 - (7) A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
 - (8) Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined or recommended to the applicable governmental authorities for not completing work associated with accepted milestones.
 - (9) Any other information deemed necessary or appropriate.
 - (10) The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self Certification or Self Reporting submittals.
 - (11) This submittal form may be used to provide a required Mitigation Plan for review and approval by regional entity(ies) and NERC.
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 - Regional Entity(ies) or NERC may reject Mitigation Plans that they determine to be incomplete or inadequate.
 - Remedial action directives also may be issued as necessary to ensure reliability of the bulk power system.
 - The user has read and accepts the conditions set forth in these Compliance Notices.

Section B: Registered Entity Information

B.1 Identify your organization:

Entity Name: MP2 Energy, LLC

NERC Compliance Registry ID: NCR11022

Address: 21 Waterway Ave., Suite 500
The Woodlands TX 77380

B.2 Identify the individual in your organization who will serve as the Contact to the Regional Entity regarding this Mitigation Plan. This person shall be technically knowledgeable regarding this Mitigation Plan and authorized to respond to Regional Entity regarding this Mitigation Plan:

Name: Robert L Douglas

Title: Vice President

Email: robert.douglas@mp2energy.com

Phone: 832-460-1890

Section C: Identification of Reliability Standard Violation(s) Associated with this Mitigation Plan

C.1 This Mitigation Plan is associated with the following violation(s) of the reliability standard listed below:

Violation ID	Date of Violation	Requirement
Requirement Description		
TRE2012009920	02/02/2011	TOP-001-1 R4
<p>Each Distribution Provider and Load Serving Entity shall comply with all reliability directives issued by the Transmission Operator, including shedding firm load, unless such actions would violate safety, equipment, regulatory or statutory requirements. Under these circumstances, the Distribution Provider or Load Serving Entity shall immediately inform the Transmission Operator of the inability to perform the directive so that the Transmission Operator can implement alternate remedial actions.</p>		

C.2 Brief summary including the cause of the violation(s) and mechanism in which it was identified above:

The Transmission Operator (ERCOT) was denied an opportunity to implement alternate remedial actions during the February 2, 2011 energy emergency because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Emergency Interruptible Load Service (EILS) as directed, and on August 4, 2011, because MP2 Energy failed to notify ERCOT that one of the resources they represented could not deploy Load Acting As A Resource (LaaRs) as directed.

C.3 Provide any relevant information regarding the identification of the violation(s) associated with this Mitigation Plan:

MP2, as a registered LSE, in responding to the Transmission Operator reliability directive given February 2, 2011 at 05:46 am to deploy Emergency Interruptible Load Service (EILS) provisions, and in responding to the Transmission Operator directive given August 4, 2011 to deploy Load Acting As A Resource (LaaRs), did not immediately inform the Transmission Operator of an inability to fully meet the EILS or LaaRs obligations due to safety issues at the FMC Bayport Plant (for EILS), and due to SCADA equipment failure at Quantum Resources (for LaaRs).

Time Frame of Possible Violation: February 2, 2011 and August 4, 2011

Section D: Details of Proposed Mitigation Plan

- D.1 Identify and describe the action plan, including specific tasks and actions that your organization is proposing to undertake, or which it undertook if this Mitigation Plan has been completed, to correct the violation(s) identified above in Section C.1 of this form:

In addition to the actions taken at the time of the violations, MP2's mitigation plan will prevent or minimize the probability that further violations of the same or similar reliability standards requirements will occur. In pursuit of that goal MP2 has:

1. Held internal meetings to address the alleged violation and worked with their QSE Agent to increase the detail and level of communication with ERCOT with respect to system issues and/or directives.
2. Revised its Emergency Operations Plan to emphasize the need to notify ERCOT in situations where Assets and Resources are unable to deploy on the schedules that ERCOT expects.
3. Added a review of the way MP2 manages any Resource deployment emergency and consideration of any revisions needed to their Emergency Operations Procedure after each event of emergency operation.
4. Implemented XML notification (via internet) from ERCOT of EILS deployments as a backup to the VDI notification method.
5. Restructured its LaaR SCADA system topography to eliminate the single point of failure that caused the 8/4/2011 delay in deployment.
6. Had its LaaR resource arrange the dispatch of personnel to the remote unattended load shed sites when ERCOT announces any EEA condition (e.g. EEA-1).

- D.2 Provide the timetable for completion of the Mitigation Plan, including the completion date by which the Mitigation Plan will be fully implemented and the violations associated with this Mitigation Plan are corrected:

Proposed Completion date of Mitigation Plan: April 16, 2012

- D.3 Milestone Activities, with completion dates, that your organization is proposing for this Mitigation Plan:

- D.4 Additional Relevant Information (Optional)

MP2 reduced the risk to the BES on 2/2/2011 by having its deployed resources produce more shed load than they were obligated to. This resulted in MP2 successfully shedding its total contracted 30 MW in all 15 minute measured periods of the 26 hours of load shed except three. MP2 reduced the risk to the BES on 8/4/2011 by dispatching personnel within three minutes of realizing that their SCADA deployment of LaaR resources had not deployed as expected. This allowed MP2 to manually deploy their 5.3 MW of LaaR earlier than they would have otherwise.

Section E: Interim and Future Reliability Risk

E.1 Abatement of Interim BPS Reliability Risk

While your organization is implementing the Mitigation Plan proposed in Section D of this form, the reliability of the Bulk Power System may remain at higher risk or be otherwise negatively impacted until the plan is successfully completed. To the extent they are, or may be, known or anticipated: (i) identify any such risks or impacts; and (ii) discuss any actions that your organization is planning to take or is proposing as part of the Mitigation Plan to mitigate any increased risk to the reliability of the bulk power system while the Mitigation Plan is being implemented:

The violation is for not informing ERCOT of the inability of one of MP2's resources to deploy. Once MP2 was aware that it should have informed ERCOT immediately upon learning of issues with their resources MP2 met internally and initiated internal process so that they would be compliant in the future. The revised Emergency Operations Plan ratifies those internal process changes.

E.2 Prevention of Future BPS Reliability Risk

Describe how successful completion of the Mitigation Plan as laid out in Section D of this form will prevent or minimize the probability that your organization incurs further violations of the same or similar reliability standards requirements in the future:

MP2 is now aware of the need to inform ERCOT immediately upon learning of issues with resources and, as part of their plan, has incorporated that into their procedures. The plan also minimizes the probability of similar hardware issues that caused the inability and delay in resource deployment.

E.3 Your organization may be taking or planning other action, beyond that listed in the Mitigation Plan, as proposed in Section D.1, to prevent or minimize the probability of incurring further violations of the same or similar standards requirements listed in Section C.1, or of other reliability standards. If so, identify and describe any such action, including milestones and completion dates:

MP2 settled an enforcement action concerning this EILS violation that was brought by the Texas PUC and paid a penalty of \$10,000.

Section F: Authorization

An authorized individual must sign and date the signature page. By doing so, this individual, on behalf of your organization:

- (a) Submits the Mitigation Plan, as laid out in Section D, to the Regional Entity for acceptance and approval by NERC, and
- (b) If applicable, certifies that the Mitigation Plan, as laid out in Section D of this form, was completed (i) as laid out in Section D of this form and (ii) on or before the date provided as the 'Date of Completion of the Mitigation Plan' on this form, and
- (c) Acknowledges:
 - 1. I am Vice President of MP2 Energy, LLC
 - 2. I am qualified to sign this Mitigation Plan on behalf of MP2 Energy, LLC
 - 3. I have read and understand MP2 Energy, LLC's obligations to comply with Mitigation Plan requirements and ERO remedial action directives as well as ERO documents, including, but not limited to, the NERC Rules of Procedure and the NERC CMEP currently in effect or the NERC CMEP-Province of Manitoba, Schedule B currently in effect, whichever is applicable.
 - 4. I have read and am familiar with the contents of the foregoing Mitigation Plan.
 - 5. MP2 Energy, LLC Agrees to be bound by, and comply with, this Mitigation Plan, including the timetable completion date, as accepted by the Regional Entity, NERC, and if required, the applicable governmental authorities in Canada.

Authorized Individual Signature: _____
(Electronic signature was received by the Regional Office via CDMS. For Electronic Signature Policy see CMEP.)

Authorized Individual

Name: Robert L Douglas

Title: Vice President

Authorized On: April 16, 2012

Attachment f

**MP2's Certification of Mitigation Plan
Completion for IRO-001-1.1 R8 submitted
June 12, 2013**

Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for the Regional Entity to verify completion of the Mitigation Plan. The Regional Entity may request additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6)

Registered Entity Name: MP2 Energy, LLC

NERC Registry ID: NCR11022

NERC Violation ID(s): TRE2012009919

Mitigated Standard Requirement(s): IRO-001-1.1 R8,

Scheduled Completion as per Accepted Mitigation Plan: April 16, 2012

Date Mitigation Plan completed: June 11, 2013

TRE Notified of Completion on Date: June 12, 2013

Entity Comment:

Additional Documents			
From	Document Name	Description	Size in Bytes
Entity	MP2 Energy.MitigationPlan.NCR11		520,824
Entity	MP2-EOP- 1-2A.pdf		85,305

I certify that the Mitigation Plan for the above named violation(s) has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

Name: Robert L Douglas

Title: Vice President

Email: robert.douglas@mp2energy.com

Phone: 832 (510) 104-2

Authorized Signature _____ Date _____

(Electronic signature was received by the Regional Office via CDMS. For Electronic Signature Policy see CMEP.)

Attachment g

MP2's Certification of Mitigation Plan Completion for TOP-001-1 R4 submitted June 12, 2013

Certification of Mitigation Plan Completion

Submittal of a Certification of Mitigation Plan Completion shall include data or information sufficient for the Regional Entity to verify completion of the Mitigation Plan. The Regional Entity may request additional data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard. (CMEP Section 6.6)

Registered Entity Name: MP2 Energy, LLC

NERC Registry ID: NCR11022

NERC Violation ID(s): TRE2012009920

Mitigated Standard Requirement(s): TOP-001-1 R4,

Scheduled Completion as per Accepted Mitigation Plan: April 16, 2012

Date Mitigation Plan completed: June 11, 2013

TRE Notified of Completion on Date: June 12, 2013

Entity Comment:

Additional Documents			
From	Document Name	Description	Size in Bytes
Entity	MP2 Energy.MitigationPlan.NCR11		520,824
Entity	MP2-EOP- 1-2A.pdf		85,305

I certify that the Mitigation Plan for the above named violation(s) has been completed on the date shown above and that all submitted information is complete and correct to the best of my knowledge.

Name: Robert L Douglas

Title: Vice President

Email: robert.douglas@mp2energy.com

Phone: 832 (510) 104-2

Authorized Signature _____ Date _____

(Electronic signature was received by the Regional Office via CDMS. For Electronic Signature Policy see CMEP.)

Attachment h

**Texas RE's Verification of Mitigation Plan
Completion for IRO-001-1.1 R8 dated June
13, 2013**

Coyne, Rachel

From: Texas RE Enforcement
Sent: Thursday, June 13, 2013 8:14 AM
To: 'robert.douglas@mp2energy.com'
Cc: Daniels, Calvin
Subject: A Mitigation Plan has been verified as completed for MP2 Energy, LLC - TRE2012009919 [REDACTED]

Robert Douglas,

NOTE: This notification replaces the prior notification for verification of the mitigation plan referenced below.

The following Mitigation Plan has been verified as completed by Texas RE.

Entity: **MP2 Energy, LLC - NCR11022**
NERC Violation ID: **TRE2012009919**
Standard Requirement: **IRO-001-1.1 R8**
Mitigation Plan submitted on: **06/12/2013** (Version 2, for Program Year 2012)
Proposed Completion Date: **04/16/2012**

Actual Completion Date: **06/11/2013**

Verification Date: **06/13/2013**

Region Reviewer: **Calvin Daniels**

Region Comment: **The approved mitigation plan contains the following corrective actions:**

- 1. Held internal meetings to address the alleged violation and worked with their QSE Agent to increase the detail and level of communication with ERCOT with respect to system issues and/or directives.**
- 2. Revised its Emergency Operations Plan to emphasize the need to notify ERCOT in situations where Assets and Resources are unable to deploy on the schedules that ERCOT expects.**
- 3. Added a review of the way MP2 manages any Resource deployment emergency and consideration of any revisions needed to their Emergency Operations Procedure after each event of emergency operation.**
- 4. Implemented XML notification (via internet) from ERCOT of EILS deployments as a backup to the VDI notification method.**
- 5. Restructured its LaaR SCADA system topography to eliminate the single point of failure that caused the 8/4/2011 delay in deployment.**
- 6. Had its LaaR resource arrange the dispatch of personnel to the remote unattended load shed sites when ERCOT announces any EEA condition (e.g. EEA-1).**

To verify completion of the mitigation plan, Texas RE reviewed the following documents provided by the Registered Entity:

- 1. Corrective Action #1 – Document MP2.MPAttestationQ1, dated 6/11/2013, contains information about the activities MP2 took internally to address the issues of the event and the violation.**

2. **Corrective Action #2 – Document MP2-EOP- 1-2A, dated 6/11/2013, contains the revised Emergency Operations Plan**
3. **Corrective Action #3 – Document MP2-EOP- 1-2A, dated 6/11/2013, contains the revised Emergency Operations Plan which includes ratification of the review**
4. **Corrective Action #4 – Document MP2 Energy.Notification, dated 6/11/2013, contains a screen shot of the XML notification information**
5. **Corrective Action #5 – Document MP2.Topography.MitigationPlanQ5 , dated 6/12/2013, contains the before and after SCADA system topography**
6. **Corrective Action #6 – Document RE MP2 Energy Quantum Resources - Protocol Violation 8.4.11 and Document FW MP2 Energy Quantum Resources - Protocol Violation 8.4.11, both Emails dated 10/20/2011, demonstrate the LaaR resource commitment to dispatch personnel to the remote sites**

Based on evidence presented by MP2 Energy, LLC and reviewed by Texas RE, this email confirms the above mentioned mitigation plan is complete. If you have any questions, please feel free to contact Calvin Daniels directly or through mitigation@texasre.org.

Note: This is a webCDMS application generated message. Please do NOT respond to this email. If you have questions, please contact webcdms@texasre.org.



[OATI Information - Email Template: MitPlan_Completed]

Attachment i

Texas RE's Verification of Mitigation Plan Completion for TOP-001-1 R4 dated June 13, 2013

Coyne, Rachel

From: Texas RE Enforcement
Sent: Thursday, June 13, 2013 8:18 AM
To: robert.douglas@mp2energy.com
Cc: Daniels, Calvin
Subject: A Mitigation Plan has been verified as completed for MP2 Energy, LLC - TRE2012009920 [REDACTED]

Robert Douglas,

NOTE: This notification replaces the prior notification for verification of the mitigation plan referenced below.

The following Mitigation Plan has been verified as completed by Texas RE.

Entity: **MP2 Energy, LLC - NCR11022**
NERC Violation ID: **TRE2012009920**
Standard Requirement: **TOP-001-1 R4**
Mitigation Plan submitted on: **06/12/2013** (Version 2, for Program Year 2012)
Proposed Completion Date: **04/16/2012**

Actual Completion Date: **06/11/2013**

Verification Date: **06/13/2013**

Region Reviewer: **Calvin Daniels**

Region Comment: **The approved mitigation plan contains the following corrective actions:**

- 1. Held internal meetings to address the alleged violation and worked with their QSE Agent to increase the detail and level of communication with ERCOT with respect to system issues and/or directives.**
- 2. Revised its Emergency Operations Plan to emphasize the need to notify ERCOT in situations where Assets and Resources are unable to deploy on the schedules that ERCOT expects.**
- 3. Added a review of the way MP2 manages any Resource deployment emergency and consideration of any revisions needed to their Emergency Operations Procedure after each event of emergency operation.**
- 4. Implemented XML notification (via internet) from ERCOT of EILS deployments as a backup to the VDI notification method.**
- 5. Restructured its LaaR SCADA system topography to eliminate the single point of failure that caused the 8/4/2011 delay in deployment.**
- 6. Had its LaaR resource arrange the dispatch of personnel to the remote unattended load shed sites when ERCOT announces any EEA condition (e.g. EEA-1).**

To verify completion of the mitigation plan, Texas RE reviewed the following documents provided by the Registered Entity:

- 1. Corrective Action #1 – Document MP2.MPAttestationQ1, dated 6/11/2013, contains information about the activities MP2 took internally to address the issues of the event and the violation.**

2. **Corrective Action #2 – Document MP2-EOP- 1-2A, dated 6/11/2013, contains the revised Emergency Operations Plan**
3. **Corrective Action #3 – Document MP2-EOP- 1-2A, dated 6/11/2013, contains the revised Emergency Operations Plan which includes ratification of the review**
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Based on evidence presented by MP2 Energy, LLC and reviewed by Texas RE, this email confirms the above mentioned mitigation plan is complete. If you have any questions, please feel free to contact Calvin Daniels directly or through mitigation@texasre.org.

