

SRSG Operating Procedure No. 4

Penalty Application/Assessment

Issue Date 3/25/98

Revision Date 4/11/13

1. Purpose

The purpose of this Operating Procedure No. 4 is to establish procedures for assessing penalties associated with Contingency Reserve deficiencies and non-compliance to the Disturbance Control Standard (DCS).

2. Contingency Reserve Penalties

2.1 Each Party, subject to the limitations identified in this Operating Procedure, shall be assessed penalties by the SRSG for Contingency Reserve deficiencies.

2.2 Hourly Deficiency Calculation

A deficiency shall occur when a Party carries Contingency Reserves (Spinning & Non-Spinning) in amounts lesser than its hourly quotas.

Such deficiency will be calculated as the hourly reserve quotas minus the actual reserves.

The penalty assessed for the deficiency shall be based upon the greater of the Spinning or Contingency Reserve deficiency for any given hour.

2.3 Occurrence

An occurrence is defined as every hour that a Party is deficient in Contingency Reserves.

2.4 Emergency

In the event a Party activates NERC Standard EOP-002-0-2 Attachment 1-EOP-002-0 Energy Emergency Alerts, Alert 2 or higher, as revised, and the Party is deficient in their SRSG reserve quota, the Party will only be assessed a penalty based on the most severe hourly deficiency during the declared Alert 2 or higher.

2.5 Amount

Each occurrence shall be assessed at \$100 per megawatt of deficiency.

2.6 Rewards

A party shall only receive a reward for a particular hour (must change RSS) if that party had no penalties on that hour.

3. WECC Sanctions

- 3.1 Any DCS or Operating Reserve sanctions assessed to the Group by WECC shall be passed on to the Parties causing the deficiency. In regard to Operating Reserves, the SRSR will only report the Contingency Reserve values to WECC.
- 3.2 WECC sanctions will be allocated among the non-compliant Parties on a monthly basis. A Party's sanction will be proportional to its recovery factor percentage for DCS and/or its compliance percentage for Operating Reserves.
 - 3.2.1 If the requesting Party issues a late disturbance notification, as defined in O.P. 5, and all Parties fully activate their reserves within 10 minutes of notification, the whole penalty is assessed to the requesting Party.
 - 3.2.2 If the requesting Party issues a late disturbance notification, and some Parties fail to fully activate their reserves within 10 minutes of the disturbance notification, the penalty is equally split between the requesting party and the late-activating Parties.
 - 3.2.3 If the requesting Party issues a disturbance notification on time, and some Parties fail to fully activate their reserves within 10 minutes, the penalty is equally split between all late-activating Parties.
 - 3.2.4 If the requesting Party issues a disturbance notification on time, and all Parties fully activate their reserves within 10 minutes, the penalty is equally split between all Parties.
- 3.3 Only a Party which is a Balancing Authority can be assessed the WECC DCS penalty. It is the responsibility of each Party who is a Balancing Authority to make arrangements to pass WECC DCS penalties through to noncompliant Parties within its Balancing Authority.

4. NERC Contingency Reserve Adjustment Factor

- 4.1 Any NERC Contingency Reserve Adjustment Factor penalty assessed to the Group shall be passed on to the Parties that were non-compliant.
- 4.2 Only a Party which is a Balancing Authority can be assessed the NERC Contingency Adjustment Factor penalty. It is the responsibility of each Party who is a Balancing Authority to make arrangements to

pass the NERC Contingency Reserve Adjustment Factor penalties through to noncompliant Parties within its Balancing Authority.

- 4.3 The NERC Contingency Reserve Adjustment Factor penalties will be allocated among the non-compliant Parties during the quarter proportional to their percent recovery factor. Penalties will be calculated quarterly in accordance with NERC policy. If a RSS software error causes a Party to not recover from a reportable DCS Disturbance and the Party incurs a DCS Penalty as a result, the group will assume responsibility for Penalty and will allocate the penalty among all Parties based on each Party's RRV.

5. Allocation of Penalties / Rewards

Penalty funds assessed a deficient Party shall be allocated as Rewards among the Parties on an hourly basis and in a manner consistent with section 11.3 of the SRSG Participation Agreement. If all Parties are deficient on the same hour, the penalty funds shall carry over to the next hour that there is at least one compliant Party.

6. Reconciliation Period

- 6.1 Penalty funds shall be reconciled between Parties once each calendar quarter.
- 6.2 Upon the conclusion of the ten working day dispute period, the SRSG Administrator will send an email to the Operating Committee certifying the values to be final.
- 6.3 Once the values are finalized, the Parties may issue invoices for the amounts due.