



## **Compliance Review 2013**

February 6, 2014



The Market Surveillance Administrator is an independent enforcement agency that protects and promotes the fair, efficient and openly competitive operation of Alberta's wholesale electricity markets and its retail electricity and natural gas markets. The MSA also works to ensure that market participants comply with the Alberta Reliability Standards and the Independent System Operator's rules.

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## Executive Summary

The growth in ISO rules compliance matters observed in recent years levelled out considerably in 2013 which we attribute in large measure to maturation of compliance programs and procedures in industry.

The MSA addressed 477 compliance matters during 2013 relating to ISO rules. Self-reporting incentives continued to promote the self-disclosure of compliance matters for ISO rules, accounting for 76% of the total during 2013. The MSA issued 45 notices of specified penalty in relation to ISO rule matters, equating to \$60,250 in financial penalties. Of the 45 specified penalties issued relating to ISO rule matters, none were disputed or remained unpaid.

The MSA also addressed 62 Alberta Reliability Standards matters in 2013, and in respect of those matters, issued 9 notices of specified penalty for a sum of \$50,000 in financial penalties. Of the specified penalties issued for contravention of an Alberta Reliability Standard, none were disputed or remained unpaid.

During 2013, no ISO rules or Alberta Reliability Standards matters addressed were subject to administrative penalties. The MSA remains of the view that a process that promotes self-reporting and relies on specified penalties, where appropriate, supports compliance without undue administrative cost.

2013 brought further changes to AUC rules relevant to compliance enforcement for ISO rules and Alberta Reliability Standards. The MSA requested amendments to AUC Rule 019 in mid-2013 and following an AUC consultation process, a revised version of Rule 019 became effective on December 1, 2013. The AUC initiated a consultation in respect of its Rule 027 and approved revisions to Rule 027 for effect on January 1, 2014.

# 1. Introduction

The MSA's mandate includes compliance enforcement with respect to both ISO rules and Alberta Reliability Standards.

In this regard, the overarching goal of the MSA is to promote a culture of compliance and accountability in industry. There is a place for penalties in certain circumstances to remind participants of their obligations and to promote good compliance practices, however, the MSA is committed to working with participants in a cooperative fashion to resolve their compliance issues. Where non-compliance stems from a lack of clarity in language or expectations, the MSA has and will continue working to correct these situations.

This report is provided toward both the MSA's annual compliance reporting obligation per s. 23(2) of the Transmission Regulation and to assist market participants and stakeholders in achieving and maintaining a culture of compliance. The report summarizes MSA compliance-related activities during 2013, including metrics enabling readers to understand the scope of compliance matters addressed and their outcomes. Through the year, interim compliance reporting is provided via the MSA quarterly reports.

The report is organized as follows:

- Section 2 provides an overview of key developments affecting compliance enforcement during 2013.
- Section 3 provides a description of ISO rule compliance matters dealt with in 2013.
- Section 4 provides a description of Alberta Reliability Standards compliance matters dealt with in 2013.



## 2. Statutory Developments

In respect of ISO rules, the AESO made a concerted effort to complete its Transition of Authoritative Documents (TOAD) project during 2013. Accordingly, the movement and ordering of authoritative rule content impacted participants and have a bearing on compliance enforcement as described in this section. The Alberta Reliability Standards landscape also continued to evolve with new standards taking effect in addition to amendments to existing standards.

### 2.1 AUC Rule 027

AUC Rule 027 defines the process by which the MSA may issue defined or “specified” penalties for the contravention of an Alberta Reliability Standard. The penalty table within Rule 027 sets out the specified penalty amount corresponding to the standard or standard requirement at issue. AUC Bulletin 2013-008 approved the changes set out in our 2012 report. Bulletin 2013-21 initiated a subsequent consultation process regarding Rule 027 inviting stakeholder comment on proposed changes to this rule – primarily penalty table changes recognizing newly approved Alberta reliability standards<sup>1</sup> as well as two updates to existing standards resulting in the approval of new standard versions. Table 2.1 summarizes the Commission approved amendments to the Rule 027 penalty tables effective on January 1, 2014 as per AUC Bulletin 2013-29:

**Table 2.1: Proposed Amendments to AUC Rule 027**

Penalty Table Category	Standard Version Updates	Standard Additions
Category 1	none	none
Category 2	none	COM-001-AB-1.1 (R3-R7); MOD-010&012-AB-0; PRC-023-AB-2 (R3-R5); VAR-002-AB-1.1b; VAR-002-WECC-AB-1; VAR-501-WECC-AB-1
Category 3	none	BAL-005-AB-0.2b; COM-001-AB-1.1 (R1,R2); COM-002-AB-2a; VAR-001-AB-1a
Category 4	none	none
Category 5	TOP-005-AB2-1	none

<sup>1</sup> Alberta Reliability Standards are categorized as follows: BAL – resource and demand balancing; CIP – Critical infrastructure protection; COM – communications; EOP – emergency preparedness and operations; FAC – facilities design, connections, and maintenance; INT – interchange scheduling and coordination; IRO – interconnection reliability operations and coordination; MOD – modeling, data, and analysis; PRC – protection and control; TOP – transmission operations; TPL – transmission planning; VAR – voltage and reactive.

Category 6	none	none
Category 7	none	none
Category 8	none	none
Category 9	TOP-007-WECC-AB1-1	PRC-023-AB-2 (R1, R2, R6)

## 2.2 AUC Rule 019

In August, the MSA submitted a request to the AUC to amend the Rule 019 penalty tables, based upon changes to intertie rules, namely the implementation of ISO rule section 203.6 and withdrawal of ISO rule 6.3.3. Concurrently, the MSA proposed seven other ISO rules for inclusion into the penalty tables (205.8, 304.3, 502.1, 502.8, 502.9, 504.3, and 504.4)<sup>2</sup> on the basis that these rules contain important performance requirements for which the availability of specified penalties would promote good compliance practices. At the discretion of the AUC, ISO rule section 203.6 was added to Category 3 of the penalty tables despite the Category 2 location of the withdrawn rule 6.3.3., attracting several stakeholder comments given the elevation in the applicable specified penalty amount.

Changes to Rule 019 were confirmed by AUC Bulletin 2013-22 for effect on December 1, 2013. These changes from the prior version are summarized in Table 2.2 below:

**Table 2.2: Recent Amendments to AUC Rule 019**

Penalty Table Category	ISO Rule Deletions	ISO Rule Additions
Category 1	OPP 003.1 (withdrawn), OPP 603 (withdrawn), 301.2 (moved to Category 3)	304.3, 502.1, 502.9, 504.3, 504.4
Category 2	6.3.3	205.8, 502.8
Category 3	none	203.6, 301.2 (moved from Category 1)

<sup>2</sup> 205.8 – Transmission Must-Run; 304.3 – Wind Power Ramp Up Management; 502.1 – Wind Aggregated Generating Facilities Technical Requirements; 502.8 – SCADA Technical and Operating Requirements; 502.9 – Synchrophasor Measurement Unit Technical Requirements; 504.3 – Coordinating Energization, Commissioning and Ancillary Services Testing; 504.4 – Coordinating Operational Testing.

### 3. ISO Rules Enforcement

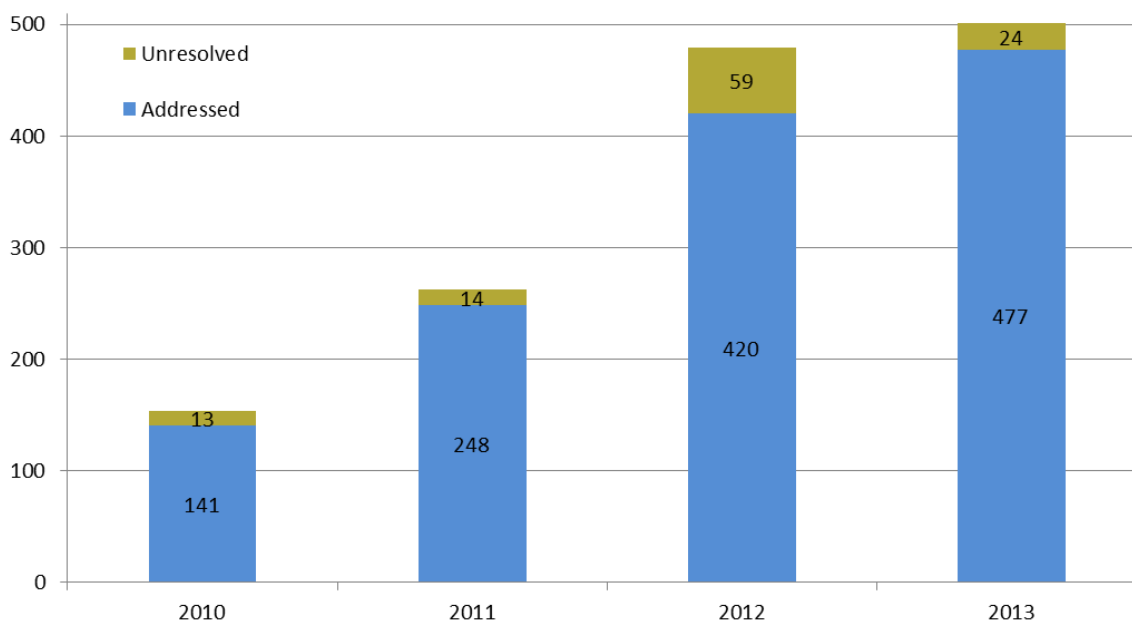
#### 3.1 Activity Levels

The MSA addressed a total of 477 ISO rules related compliance files in 2013, all of which were concluded without a hearing or other proceeding before the AUC. As this suggests, the MSA found no self-reported or referred ISO rules compliance matters to warrant the pursuit of an administrative penalty beyond available specified penalties. Secondly, of the files resulting in enforcement action, none were disputed or necessitated a negotiated settlement. Historically, the MSA has pursued negotiated settlements<sup>3</sup> where appropriate toward administratively efficient outcomes. Over time, the broader applicability of AUC rule 019 has reduced the volume of cases requiring settlements as in some earlier cases the applicable rule was not identified within rule 019. At the end of 2013, an additional 24 files to the 477 files completed, remained under review although 23 of these 24 matters were received in December.

Of the 477 files addressed during 2013, 45 resulted in the issuance of a notice of specified penalty. The remaining 432 files resulted in a notification of forbearance. For comparison purposes, in 2012, 420 files were addressed with 64 files resulting in the MSA issuing a notice of specified penalty, and similarly, no files requiring an administrative process i.e. proceeding or settlement.

While not explicit in its published Compliance Process document, the MSA has generally targeted (and participants have been accustomed to resolution of self-reported ISO rule matters within 30 days which was achieved in most cases during 2013.

**Figure 3.1: ISO Rule Compliance Matters Addressed**



The historical growth trend shown in Figure 3.1 has been discussed in prior reporting; however, as we had hoped but perhaps later than expected, we are observing a leveling out of rules compliance matters

<sup>3</sup> Negotiated settlements as contemplated in section 44 of the AUCA.

received. This change is more pronounced if matters relating to ISO rule section 201.3 (offer control information) are subtracted as compliance issues with this rule have been rare following Q1/13, accordingly, this rule is expected to be a minor contributor to compliance matters going forward. The MSA believes overall leveling off can reasonably be attributed to growing effectiveness of compliance programs in industry complemented by the ongoing work by AESO and industry to refine the ISO rules. The large majority of compliance issues continued to be self-reported in 2013 and comprised 76% of matters received which was comparable to 2012. All things being equal, a growing volume of referrals would generally be seen as a negative indicator for compliance as this represents compliance events that remained undetected by participants and/or events that participants were not inclined to self-report, however, the growth observed in 2013 was in large measure, related to short-lived issues participants had in promptly adapting their internal offer procedures to comply with new offer control information (rule section 201.3) requirements. As shown in Figure 3.2, 116 of the 477 matters addressed in 2013 resulted from an AESO referral. While self-monitoring and self-reporting affirm that participants are being vigilant in identifying and reporting matters, in some cases they may not be going further to address the cause. Hence, a useful indicator in this regard is the level of enforcement action taken either on an administrative or non-administrative basis in cases that were self-reported. In 2013, 16 of the 361 (4.4%) self-reported ISO rules matters addressed received a notice of specified penalty, which was an improvement over 2012 (21 of 352 for 5.9%). While self-reporting is encouraged and viewed favourably by the MSA relative to matters received via AESO referral, self-reporting should be considered a complement and not a substitute for regular event reviews such that vulnerabilities are identified and procedures and associated training can be incrementally improved.

**Figure 3.2: ISO Rule Self-Reports vs. AESO Referrals**

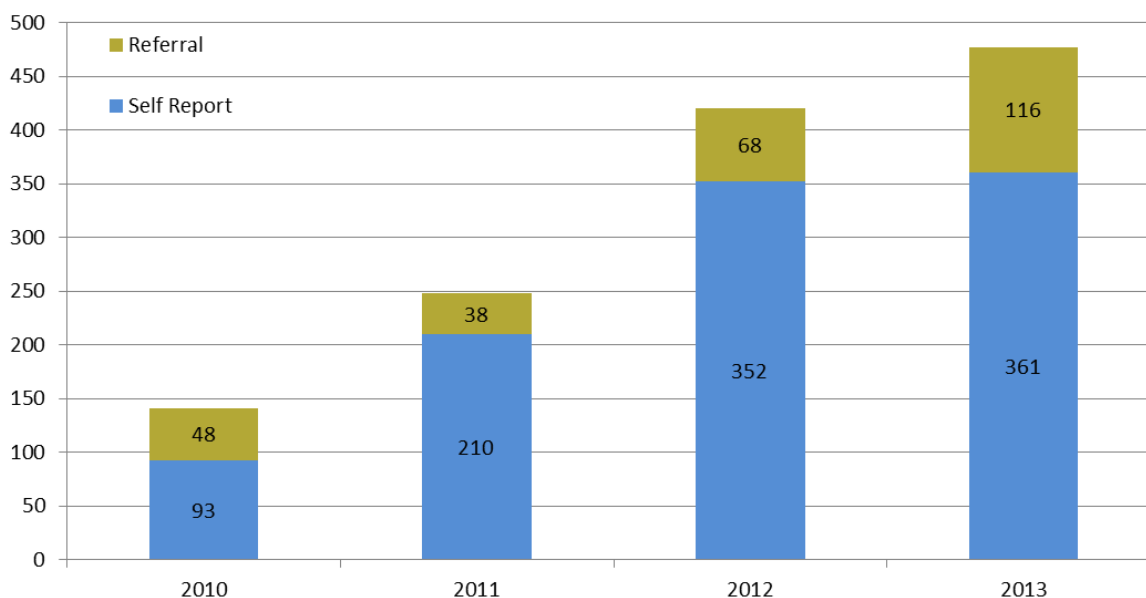


Figure 3.3 provides a segmentation of rules compliance outcomes by ISO rule. In 2013, 37 different ISO rules (including OPPs) were the subject of a compliance referral or self-report, compared to 23 in 2012 however, the increase in 2013 is impacted by rule transitions occurring during the year and hence reflects a degree of double counting of similar authoritative content under different rules i.e. the former OPP 102 and current ISO rule section 201.7. As is typically the case, however, the bulk of matters addressed were

concentrated within a few rules – namely 203.4, 203.3, 201.7, and 201.3 during 2013. This is not surprising given that these relate either to the submission of offers and restatements or to responding to dispatches.

**Figure 3.3: 2013 Compliance Matters Addressed by ISO Rule**

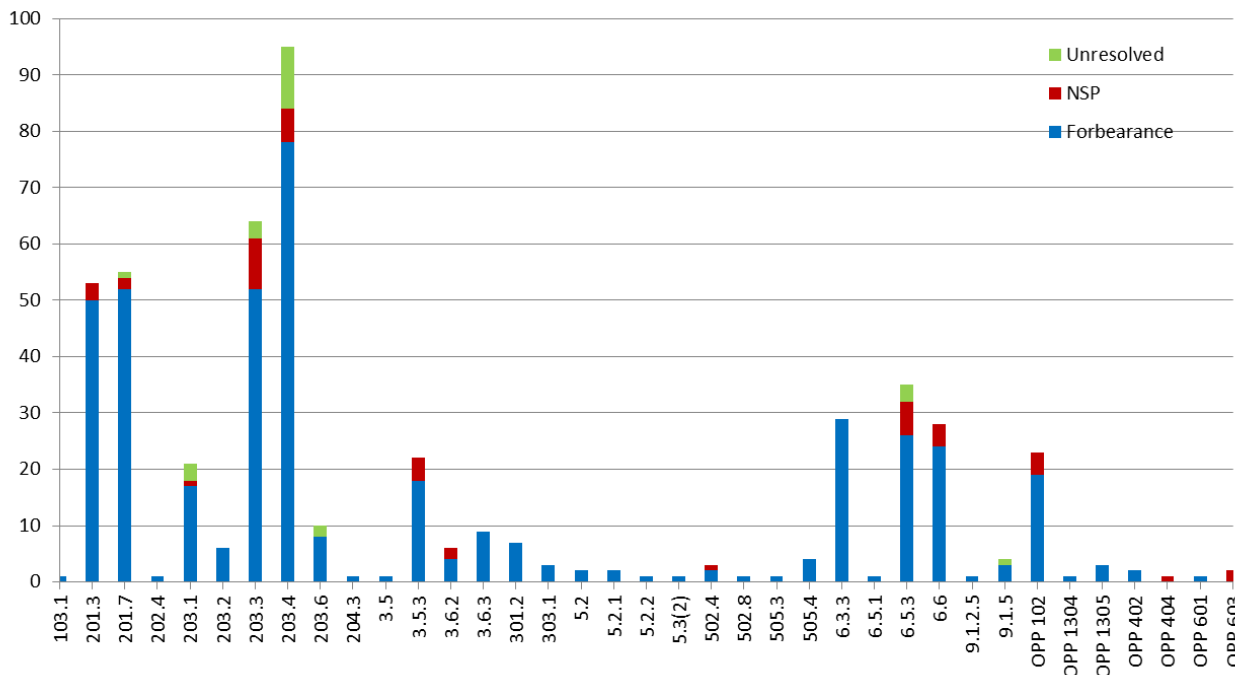


Table 3.1 provides a breakdown by contravention month for all ISO rule compliance matters addressed or remaining under review at the end of 2013. Contravention dates for the 45 notices of specified penalty issued in 2013 ranged from June 2012 to October 2013. The indicated lag is attributed to the fact that the majority of specified penalties are issued in cases of a referral as opposed to self-reported matters and that the process of referral is an extended process involving information requests and responses as well as other data verification steps and analysis. In reference to Rule 9.1 matters, contravention month is less applicable as compliance is not event specific as in most other cases; accordingly, for the purposes of Table 3.1, these matters are reflected by the month in which they were received by the MSA. In preparing the underlying data for Table 3.1 of this report, the MSA identified the following typographical errors in the Table 3.1 presented in our 2012 Compliance Review: in the unresolved section of the table, the values associated with rules 3.5.3, 6.3.3, 6.5.3, and OPP 102 should have appeared one column position to the right in reference to the month of contravention. Further, two unresolved 3.5.3 matters appearing in the 2012 version of Table 3.1, were reclassified upon disposition in 2013 as OPP 603 matters. We apologize for any inconvenience these issues may have caused.

Not reflected in the ISO rules compliance metrics presented for 2013 was a rule section 203.6 matter relating to the compliance obligations of the AESO. Background information pertaining to this matter and its handling by the MSA was posted to the MSA website in September 2013 and January 2014<sup>4</sup> and the MSA has now closed its file in this matter.

<sup>4</sup> Relevant MSA publications are dated September 26, 2013 and January 15, 2014.



Among the 45 notices of specified penalty issued during 2013 for contravention of an ISO rule, none were disputed and all have been paid (totalling \$60,250). Table 3.2 provides a detailed summary of specified penalties issued in 2013. While no administrative handling of matters was required in 2013, the MSA continued to advocate for broad applicability of specified penalties in support of regulatory efficiency for both stakeholders and the MSA such that non-serious matters can be addressed in an expedited manner.

**Table 3.2: Specified Penalties Issued in 2013 for Contravention of ISO Rules**

Market Participant	ISO Rule													Total
	201.3	201.7	203.1	203.3	203.4	3.5.3	3.62	502.4	6.5.3	6.6	OPP102	OPP404	OPP603	
Algonquin Power Operating Trust		\$500		\$500		\$500								\$1,000
AltaGas Ltd.				\$500							\$2,000			\$2,500
Balancing Pool									\$500					\$500
BowArk Energy Ltd									\$500					\$500
Capital Power (Alberta) L.P.						\$500	\$500							\$1,000
Capital Power (G3) L.P.						\$500								\$500
Capital Power PPA Management Inc.									\$2,000					\$2,000
Cenovus FCCL Ltd.	\$500										\$6,500			\$7,000
City of Medicine Hat													\$2,000	\$2,000
DMI Ltd.				\$250						\$1,500				\$1,750
Grande Prairie Generation Inc.										\$12,500				\$12,500
Imperial Oil Ltd.			\$500											\$550
Milner Power L.P.	\$500			\$1,750			\$500							\$2,750
Nexen Inc.					\$750	\$500							\$250	\$1,500
Nexen Inc./Encana Corp.				\$500										\$500
Northstone Power Corp.				\$250										\$250
Powerex Corp.				\$250	\$14,500					\$5,000				\$19,750
Rainbow Energy Marketing Corp.	\$500													\$500
Shell Canada Energy								\$250						\$250
Suncor Energy Inc.						\$500								\$500
TransAlta Energy Marketing Corp.		\$250												\$250
TransAlta Generation Partnership				\$500					\$1,750					\$2,250
<b>Total</b>	<b>\$1,500</b>	<b>\$750</b>	<b>\$500</b>	<b>\$4,500</b>	<b>\$15,250</b>	<b>\$2,000</b>	<b>\$1,000</b>	<b>\$250</b>	<b>\$4,750</b>	<b>\$19,000</b>	<b>\$8,500</b>	<b>\$250</b>	<b>\$2,000</b>	<b>\$60,250</b>

## **3.2 Performance Measures – 2013 Compliance Activities**

In 2013, all ISO rules compliance matters were processed via the MSA's expedited process and turnaround times showed improvement on an overall basis despite a marginal increase in the number of matters considered. Table 3.3 provides a detailed breakdown of file processing by ISO rule. Compliance matters resulting in a notification of forbearance were resolved in 66 days on average from the date of the event, which compares to 61 days in 2012. In 2013 the average period between compliance events and receipt by the MSA increased from 47.7 days to 52.1 days, however, once received, time taken to resolve files showed a significant improvement from 26.3 days to 18.1 days on average. For compliance matters resulting in issuance of a notice of specified penalty, the initial reporting period was improved as compared to 2012 results and the period from referral (or self-report) to issuance of notice was, on average, 21.5 days in 2013 vs. 37 days in 2012. Overall, the processing of compliance matters was reduced to 70 days on average from 74 days in 2012. Given the small number of compliance matters associated with some rules during 2013, relative differences should be interpreted with caution. Rule 9.1 related matters have been excluded due to the nature of the contravention being process-based rather than event-based, and the different compliance process that is applied. These performance measures are also impacted by the MSA's case load of reliability standards compliance matters.



**Table 3.3: 2013 Timeliness of Compliance Event Resolution (Average Days)**

	Event Date to Referral Date [A]			Referral Date to Issuance Date [B]			Event Date to Issuance Date [C] = [A] + [B]		
	NSP	Forbearance	All files	NSP	Forbearance	All files	NSP	Forbearance	All files
103.1		40.0	40.0		23.0	23.0		63.0	63.0
201.3	84.7	110.6	109.2	13.3	15.9	15.7	98.0	126.5	124.9
201.7	76.0	27.9	29.7	21.5	14.5	14.8	97.5	42.4	44.4
202.4		30.0	30.0		13.0	13.0		43.0	43.0
203.1	112.0	23.2	28.1	16.0	17.2	17.2	128.0	40.4	45.3
203.2		38.5	38.5		9.0	9.0		47.5	47.5
203.3	65.7	22.3	28.7	17.1	13.8	14.3	82.8	36.2	43.1
203.4	21.3	21.7	21.7	11.8	12.9	12.8	33.2	34.6	34.5
203.6		17.1	17.1		6.3	6.3		23.4	23.4
204.3		1.0	1.0		4.0	4.0		5.0	5.0
3.5		30.0	30.0		35.0	35.0		65.0	65.0
3.5.3	169.8	113.4	123.6	34.3	35.2	35.0	204.0	148.6	158.7
3.6.2	103.0	97.5	99.3	18.0	21.3	20.2	121.0	118.8	119.5
3.6.3		15.9	15.9		23.2	23.2		39.1	39.1
301.2		25.4	25.4		19.7	19.7		45.1	45.1
303.1		89.3	89.3		14.7	14.7		104.0	104.0
5.2		32.5	32.5		13.0	13.0		45.5	45.5
5.2.1		227.0	227.0		11.0	11.0		238.0	238.0
5.2.2		18.0	18.0		4.0	4.0		22.0	22.0
5.3(2)		65.0	65.0		14.0	14.0		79.0	79.0
502.4	28.0	2.0	10.7	13.0	15.0	14.3	41.0	17.0	25.0
502.8		205.0	205.0		9.0	9.0		214.0	214.0
505.3		4.0	4.0		8.0	8.0		12.0	12.0
505.4		43.0	43.0		15.8	15.8		58.8	58.8
6.3.3		23.7	23.7		17.9	17.9		41.5	41.5
6.5.1		27.0	27.0		19.0	19.0		46.0	46.0
6.5.3	89.7	34.6	44.9	17.2	21.2	20.5	106.8	55.8	65.4
6.6	68.0	40.2	44.1	18.0	27.2	25.9	86.0	67.3	70.0
OPP 102	177.0	166.3	168.1	44.0	37.4	38.5	221.0	203.6	206.7
OPP 1304		25.0	25.0		35.0	35.0		60.0	60.0
OPP 1305		15.7	15.7		16.0	16.0		31.7	31.7
OPP 402		19.0	19.0		12.0	12.0		31.0	31.0
OPP 404	25.0		25.0	36.0		36.0	61.0		61.0
OPP 601		4.0	4.0		13.0	13.0		17.0	17.0
OPP 603	184.5		184.5	35.0		35.0	219.5		219.5
Total Average	90.3	48.0	52.1	21.5	17.8	18.1	111.8	65.8	70.2

### **3.3 2013 Compliance Trends**

#### **3.3.1 ISO Rule Section 201.7**

Prior to the January 8, 2013 effective date of rule section 201.7, the authoritative rule content relating to dispatch acknowledgement was included in OPP 102. The MSA's enforcement activities in respect of 201.7 concern participants' acknowledgment of ADaMS dispatch instructions within two minutes for generator dispatches and 5 minutes for intertie dispatches. The number of compliance matters addressed by the MSA in 2013 for this rule improved to 77 matters (combined for 201.7 and its precursor OPP 102) from 91 matters in 2012 however, it is noteworthy that 22 of the 77 matters addressed in 2013 were unresolved 2012 matters carried forward into 2013. Accordingly, one can conclude that 2012 was a compliance anomaly regarding this rule as compliance matters were effectively down by 50% in 2013. Of particular interest to participants transacting on the interties and a basis to expect further compliance improvement was a notification by the AESO that effective December 12, 2013, it would cease to issue dispatches to market participants for import and export transactions via the ADaMS system reducing compliance risk for participants in respect of this rule as well as rule 502.4 (automated dispatch and messaging system and voice communication system requirements) given that these are often associated issues.

#### **3.3.2 ISO Rule Section 203.4**

Prior to the January 8, 2013 effective date of rule section 203.4, dispatch compliance obligations for generators were set out in ISO rule 6.6. During 2013, on a combined basis, the MSA issued 10 notices of specified penalty in relation to ISO Rules 6.6 and 203.4 for a total of \$34,250 in financial penalties. This is a significant reduction from the 19 notices of specified penalty issued in 2012 regarding ISO rule 6.6. and further, 8 of 10 notices of specified penalty or \$32,000 of the \$34,250 in financial penalties can be attributed to two market participants.

#### **3.3.3 ISO Rule Section 201.3**

ISO Rule Section 201.3 became effective on December 3, 2012 requiring participants to submit offer control information along with their offers or bids as applicable via the Energy Trading System (ETS). The implementation of this change evidently caught several smaller sized market participants unaware as evidenced by compliance issues observed during Q1/13. Based on the volume and nature of 201.3 compliance issues observed through the remaining nine months of 2013, the MSA is expecting only isolated compliance issues associated with this rule going forward, however, the MSA suggests that participants review their offer submission procedures in this regard and take advantage of the 30 day window to address missing offer control information corresponding to their historical offers.

#### **3.3.4 ISO Rule Section 203.3**

ISO Rule Section 203.3 became effective January 8, 2013 as part of the AESO "core market rules" set of rule changes and was subsequently amended as of November 8, 2013. This rule section and its precursor, ISO rule 3.5.3 set out the manner in which participants are required to restate their energy offers to reflect changes in unit capability. The number of compliance matters addressed by the MSA in 2013 for this rule increased to 83 matters (combined for 203.3 and 3.5.3) from 48 matters in 2012. The observed increase was broad-based amongst market participants and in some ways is symptomatic of a different issue since in many cases participants submit a restatement within the T-2 lockdown period in order to correct an initial error or omission. 78% of matters addressed for this rule in 2013 were self-reported however, in four self-reported cases, the MSA issued a Notice of Specified Penalty.

## 4. Alberta Reliability Standards Enforcement

In 2012, the following standards were approved by the AUC with effective dates in 2013: COM-001-AB-1.1, COMM-002-AB-2a, VAR-001-AB-1a, VAR-002-AB-1.1b, VAR-002-WECC-AB-1, and VAR-501-WECC-AB-1. BAL-005-AB-0.2b, EOP-004-AB1-1, MOD-010&012-AB-0 were approved during 2013 with effective dates in 2014. PRC-023-AB-2 (R6), approved in 2012 also becomes effective in 2014. IRO-001-AB-1.1 was withdrawn during 2013 effective on January 1, 2014. As of 2013's year-end, 52 reliability standards were approved<sup>5</sup> as applicable in Alberta – 21 of which are applicable<sup>6</sup> to registered entities other than the AESO and 47 of which are applicable to the AESO itself.

### 4.1 Monitoring and Enforcement for Registered Entities

The AESO is the compliance monitor with respect to registered entities in Alberta and carries out its compliance monitoring mandate in accordance with ISO Rule 103.12 and its Compliance Monitoring Program (CMP)<sup>7</sup> developed in consultation with stakeholders. In conjunction with its mandate and CMP, compliance monitoring activities including scheduled reliability compliance audits could result in a referral to the MSA if non-compliance with an applicable standard is suspected. However, registered entities can self-report suspected non-compliance directly to the MSA (as described more fully in the MSA Compliance Process), and, if reported promptly and effectively mitigated, have the prospect of forbearance or at minimum, more favourable treatment relative to a referral.

### 4.2 Monitoring and Enforcement for AESO

The MSA has oversight responsibilities for compliance of registered entities as well as the AESO. As noted above, the bulk of reliability standards effective in Alberta are applicable to the AESO given the scope of its responsibilities as an ISO and Balancing Authority, and consequently, its mandate to maintain system stability and reliability. On September 11, 2013, the AESO board approved that the AESO would also assume all Reliability Coordinator (RC) functions for Alberta that were formerly performed by the Western Electricity Coordinating Council (WECC), concurrent with the January 1, 2014 effective date of a restructuring of the WECC into a separate regional entity and reliability coordinator entity. In accordance with these changes, additional reliability standards will apply to the AESO. As set out in a services agreement between the MSA and WECC, the MSA is assisted by WECC in monitoring the AESO for compliance with Alberta Reliability Standards. As an overall framework for this approach, the MSA and WECC are guided by the Alberta CMP as applied to registered entities, although an Implementation Plan is developed annually to confirm the scope of compliance monitoring including any intended deviations from the Alberta CMP. During Q4/13, the MSA and WECC jointly developed a 2014 Implementation Plan which was issued to the AESO in January. In accordance with the Implementation Plan, the AESO is required to self-certify compliance with all applicable standards following cycle 2 of the self-certification schedule included in the Alberta CMP. Consistent with the compliance monitoring program applied to registered entities, the AESO is also subject to compliance audit regarding applicable Alberta Reliability Standards. The next compliance audit of the AESO is scheduled during Q3 2014.

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<sup>5</sup> Includes standards approved but not yet in effect.

<sup>6</sup> Applicability is based upon functional entity type as described in the AESO Functional Model and Criteria for Registration.

<sup>7</sup> See [http://www.aeso.ca/downloads/ARS\\_CMP\\_Final\\_v1.1.pdf](http://www.aeso.ca/downloads/ARS_CMP_Final_v1.1.pdf)

### 4.3 Activity Levels - ARS

Of the 65 ARS-related compliance matters noted in the MSA's 2012 compliance review, 17 matters remained under review at the end of 2012 and were carried forward into 2013. In addition to these matters, the MSA opened 59 new files during 2013. During 2013, 62 of these 76 matters were addressed. Twelve of these 62 matters were addressed by notices of specified penalty for contravention of the CIP-001 or PRC-001 of the Alberta standards; however, four related matters were jointly addressed by a single notice of specified penalty. Accordingly, nine notices of specified penalty were issued in relation to these matters. Those who follow the MSA website will observe 10 specified penalties issued during 2013 which was the case however, the compliance file attributed to the latest specified penalty issued in 2013 was not considered closed at year-end and thus the matter was not counted among the 62 matters addressed in 2013. As noted in Figure 4.1, of the 76 active matters carried into or opened during 2013, 14 remained under review and were carried forward into 2014.

**Figure 4.1: Reliability Standards Outcomes 2013**

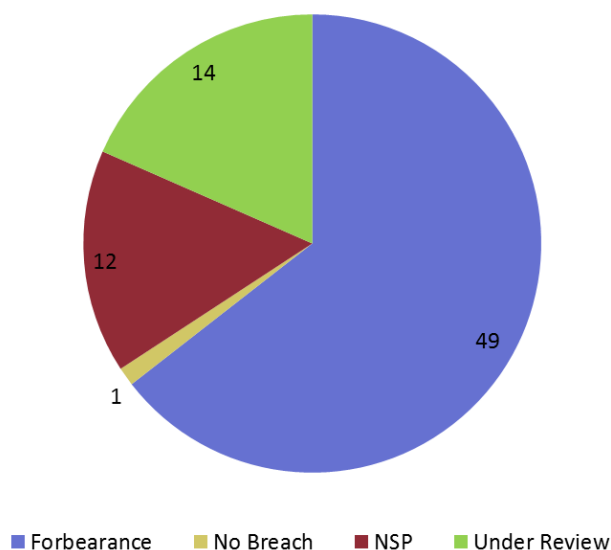


Figure 4.2 provides a detailed segmentation of outcomes by standard for the 76 reliability standards-related files noted above. As the preceding demonstrates, there is added complexity to the processing and tracking of reliability matters relative to ISO rule matters due to the interplay between self-reporting and the ARS compliance audit and referral process. Accordingly, during 2013, the MSA and AESO implemented a referral process change such that previously self-reported contraventions are excluded from the formal referral provided that the MSA has previously issued a letter of forbearance and audit findings are consistent with the self-report.

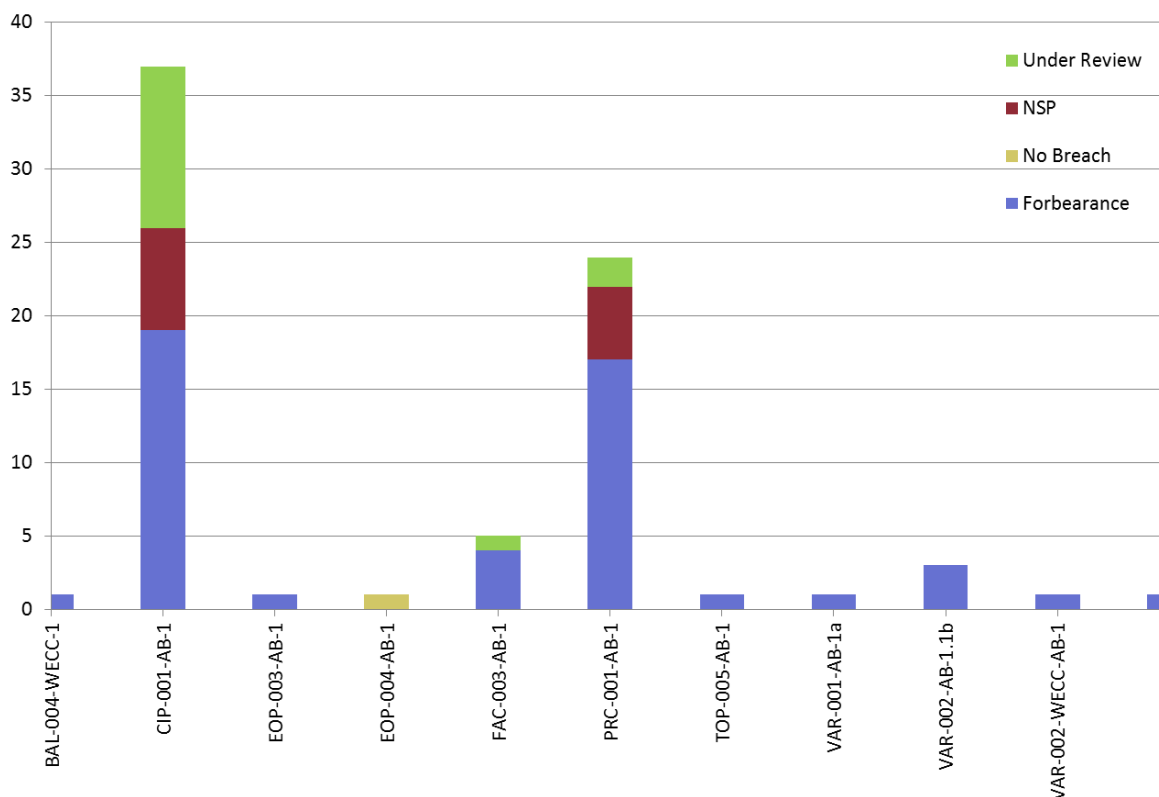
**Figure 4.2: 2013 ARS Compliance Matters by Standard**

Table 4.1 provides a breakdown of specified penalties issued during 2013 by registered entity and by reliability standard. As was the case in 2012, the majority of ARS matters during 2013 related to the CIP-001 and PRC-001 Alberta standards given their broad applicability to all registered entities and hence, these standards attracted all specified penalties issued this year.

**Table 4.1: Specified Penalties Issued in 2013 for Contravention of Reliability Standards**

Registered Entity	Alberta Reliability Standard		
	CIP-001-AB-1	PRC-001-AB-1	Total
Cenovus FCCL Ltd.		\$5,000	\$5,000
Daishawa Marubeni International	\$5,000	\$2,500	\$7,500
Enbridge Pipelines Inc.	\$7,500		\$7,500
Imperial Oil Resources	\$7,500	\$5,000	\$12,500
Syncrude Canada Ltd.		\$2,500	\$2,500
TransCanada Energy Ltd.	\$10,000	\$5,000	\$15,000
<b>Total</b>	<b>\$37,500</b>	<b>\$20,000</b>	<b>\$50,000</b>

Performance measures in terms of file processing metrics are less informative for reliability matters relative to rules compliance matters which are much more discrete events. Resolution times for reliability matters are typically impacted by factors that are important and yet not directly related to process efficiency including, but not limited to, mitigation plans, and in some cases extensions granted to mitigation plans under reasonable circumstances.

## **4.4 2013 Compliance Trends**

Similar themes were evident from compliance matters observed during 2013 as in 2012 given the standards applicable to most registered entities and that the AESO's compliance audit program continued to work through the first complete audit cycle for all registered entities. Demonstrating compliance with training-related requirements has been an issue emerging from both self-reporting and referrals. Registered entities are well-served to review their approach not only on training but on the retention of records to demonstrate that applicable training was delivered to the applicable personnel.

### **4.4.1 PRC-001-AB-1**

As noted in section 4.3, five of nine ARS-related notices of specified penalty issued in 2013 pertained to PRC-001-AB-1 (R1 in three cases, R2.1 in one case, and R3 in one case). In relation to R1, issues identified in compliance audit activities and referred to the MSA during 2013 included that training records were lacking; not all applicable personnel received training; and training materials presented as evidence for compliance did not meet the specific requirement of ensuring familiarity with protection systems applied in the entity's area.

### **4.4.2 CIP-001-AB-1**

The MSA issued four<sup>8</sup> notices of specified penalty during 2013 in relation to this standard, although as indicated in Figure 4.2, CIP-001-AB-1 contributed several compliance matters. Most matters stemmed from a lack of records or other evidence to demonstrate training requirements had been met within the required time frame or to all applicable staff. In this regard, registered entities are advised that a 'passive' process such as making procedures generally available does not clearly demonstrate they were received by applicable staff if this is not complemented by records certifying that the procedures were received and when.

### **4.4.3 Completion of Mitigation Plans**

The MSA continues to be supportive of the role of mitigation plans and believes they can be an effective complement, and in some cases a substitute for, financial sanctions. Accordingly, the MSA may extend forbearance on the basis of an entity carrying out an accepted mitigation plan. In cases where it is evident that an entity has not fulfilled its obligations pertaining to an accepted mitigation plan, the MSA is likely to proceed with additional enforcement action.

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<sup>8</sup> Figure 4.2 reflects the disposition of 7 CIP-001 matters by way of Notice of Specified Penalty although four related CIP-001 matters were jointly addressed by one Notice of Specified Penalty.

## 5. Outlook

Based on 2013 results, and presuming market participants remain vigilant with respect to their compliance programs, fewer expected changes to existing ISO rules in the near term should translate to a normalization in the volume of ISO rules compliance matters addressed and potentially decreases across several rules. Regarding reliability standards compliance, given that all registered entities have now cycled through compliance monitoring audits, fewer matters are expected with regard to existing standards, however, several new standards effective for 2014 are to some extent, expected to offset this. The MSA remains committed to working cooperatively with the AESO and industry toward our joint objective of ensuring an effective and reliable wholesale electricity sector in Alberta.

## References

### AESO

ISO Rules

<http://www.aeso.ca/rulesprocedures/18592.html>

Alberta Reliability Standards

<http://www.aeso.ca/rulesprocedures/17004.html>

AESO Reliability Standards Compliance Monitoring Program

[http://www.aeso.ca/downloads/ARS\\_CMP\\_Final\\_v1.1.pdf](http://www.aeso.ca/downloads/ARS_CMP_Final_v1.1.pdf)

Transition of Authoritative Documents Project

<http://www.aeso.ca/rulesprocedures/15981.html>

### Alberta Utilities Commission

AUC Rules

<http://www.auc.ab.ca/acts-regulations-and-auc-rules/rules/Pages/default.aspx>

### Legislation

Alberta Utilities Commission Act

[http://www.qp.alberta.ca/574.cfm?page=A37P2.cfm&leg\\_type=Acts&isbncln=9780779751396](http://www.qp.alberta.ca/574.cfm?page=A37P2.cfm&leg_type=Acts&isbncln=9780779751396)

### MSA

MSA Compliance Process

[http://albertamsa.ca/uploads/pdf/Archive/0-2013/Compliance\\_Process\\_130415.pdf](http://albertamsa.ca/uploads/pdf/Archive/0-2013/Compliance_Process_130415.pdf)

MSA WECC Services Agreement

<https://www.albertamsa.ca/assets/Documents/Services-Agreement-MSA-WECC-Signed.pdf>

MSA Quarterly Reports

<http://albertamsa.ca/index.php?page=quarterly-reports>





The Market Surveillance Administrator is an independent enforcement agency that protects and promotes the fair, efficient and openly competitive operation of Alberta's wholesale electricity markets and its retail electricity and natural gas markets. The MSA also works to ensure that market participants comply with the Alberta Reliability Standards and the Independent System Operator's rules.

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