



Compliance Review 2015

February 19, 2016

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

This report and other interim compliance reporting is provided further to the MSA's commitment to be open and transparent, as we carry out our mission to promote effective competition and a culture of compliance and accountability in Alberta's electricity market. This report is also provided further to section 23(2) of the Alberta *Transmission Regulation*.

MSA Mandate

The MSA has a broad mandate of surveillance, investigation, and enforcement in respect of the Alberta electricity market and it accomplishes it through a number of products and services. This overarching mandate encompasses both the MSA's oversight of market behavior so Albertans benefit from competitive markets, and ensuring a well-functioning and dependable electricity sector through enforcing of compliance with ISO rules and reliability standards – the subject of this annual review.

Market Rules and Standards in Alberta

Market rules are established in Alberta by the Alberta Electric System Operator (AESO) in consultation with market participants. The purpose of market rules is to promote orderly and predictable actions on the part of market participants and to support the role of the AESO in coordinating those actions. As set out in the Alberta *Transmission Regulation*, the AESO, in consultation with industry, reviews NERC and WECC standards to assess and recommend to the Alberta Utilities Commission (AUC), whether those standards are applicable to the Alberta Interconnected Electric System (AIES). The purpose of reliability standards is to ensure the various entities involved in grid operations (generators, transmission operators, system operators i.e. ISOs) are doing their part by way of procedures, communication, coordination, training, and maintenance, among other practices, to support the reliability of the interconnected electric system. Alberta Reliability Standards are applicable to both the AESO and those who control generation or transmission facilities in the province. The bulk of Alberta Reliability Standards are AESO applicable given the scope of the AESO's responsibilities and a smaller subset is applicable to entities other than the AESO.

Enforcement Framework

In Alberta, the AESO has a mandate to conduct compliance monitoring. The AESO applies its technical and operational expertise to scan for potential rule and standard contraventions by market participants and refers them to the MSA for action. The AUC is the decision maker on financial penalties and in this regard, AUC Rules 019 and 027 authorize the MSA to issue notices of specified penalty as prescribed in those rules. If a party disputes a notice of specified penalty, the matter is settled by way of a hearing or other proceeding before the AUC. Alternatively, the MSA can enter into a settlement agreement concerning a contravention or request a hearing before the AUC. In either case, the AUC approves the outcome. In the eight years the MSA has overseen compliance enforcement of ISO rules and the six years in respect of the Alberta Reliability Standards, enforcement activity has resulted in approximately \$1.5 million dollars in financial penalties. The MSA's compliance process also allows participants the opportunity to self-report issues of non-compliance with the prospect of favorable treatment in order to promote self-monitoring and robust compliance programs in industry.

What we looked at

The MSA's practice is to report summary compliance metrics as part of its quarterly reporting and to compile and publish a separate more comprehensive analysis following year-end. For 2015, we summarize compliance matters received by referral or by self-report, and how those matters were distributed amongst various rules and standards. We summarize enforcement activities in terms of the MSA's issuance of specified penalties by rule and standard.

What we found

The number of ISO rules compliance matters continued to decline year-over-year in 2015. Self-reports submitted by market participants once again represented a large majority of the events we assessed, indicating that market participants are actively monitoring for non-compliance events. The distribution of contraventions across ISO rules was similar to previous years as rules governing the most frequent day-to-day market activities accounted for the majority of compliance events. Most notices of specified penalty were for first contraventions in a rolling 12 month period, which is indicative of the fact there were no persistent problems found in rules compliance.

The number of Alberta Reliability Standards matters decreased significantly from 2014 to 2015. There were significant decreases in the number of contraventions associated with some rules and increases in contraventions in others. These trends can be attributed to changes to the AESO's compliance monitoring audit program and the accumulation of experience by registered entities regarding Alberta Reliability Standard requirements.

Numbers at a Glance:

- 430 ISO rules compliance matters addressed in 2015, down from the 454 matters addressed in 2014.
- Self-reporting accounted for 85% of ISO rules compliance matters received by the MSA.
- 39 notices of specified penalty issued for contraventions of ISO rules for a total of \$42,000 in financial sanctions. No specified penalties were disputed or remained unpaid.
- 82% of the notices of specified penalty issued in 2015 were for first contraventions over a 12 month period
- 82 Alberta Reliability Standards compliance matters addressed in 2015, down from 133 addressed in 2014.
- 5 notices of specified penalty issued for contravention of Alberta Reliability Standards totaling \$29,250 in financial penalties. No specified penalties were disputed or remained unpaid.

1. Introduction

The MSA's mandate includes compliance enforcement with respect to contraventions of ISO rules and Alberta Reliability Standards. The goal of the MSA's compliance process is to create a culture of compliance and accountability in the industry. The MSA will issue 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 understand and resolve underlying issues leading to events of non-compliance. Where non-compliance stems from a lack of clarity in language or expectations, the MSA has and will continue working to correct these situations.

The report is organized as follows:

- Section 2 provides an overview of key developments affecting compliance enforcement in 2015.
- Section 3 provides a description of ISO Rule compliance matter dealt with in 2015.
- Section 4 provides a description of Alberta Reliability Standards compliance matters dealt with in 2015.

2. Statutory Developments

In 2015, the AESO continued to consult to amend existing ISO rules. The AESO made an effort to remove several subsections of ISO rule section 9 and transition the relevant rule content into Part 500 of the new ISO rules framework. Throughout the year, the AESO continued to add new Alberta Reliability Standards and made amendments to existing standards.

2.1 AUC Rule 019

On November 12th, 2015, the AUC issued Bulletin 2015-18 stating that the Commission approved changes to AUC Rule 019 on November 9th, 2015 for effect on December 7th, 2015. These changes added the new operating reserve rules (ISO rule sections 205.1 through 205.6) into category 1 of the specified penalty matrix and removed the previous rules governing operating reserves from the matrix. These changes were viewed by the Commission as administrative in nature and thus, proceeded without a consultative process.

Table 2.1: AUC Rule 019 Amendments

Penalty Table Category	ISO Rule Deletions	ISO Rule Additions
Category 1	6.5.3, OPP 403, OPP 404	205.1, 205.2, 205.3, 205.4, 205.5, 205.6
Category 2	6.4.3, 6.5.2	
Category 3	3.6.2, 3.6.3	

2.2 AUC Rule 027

On January 19th, 2015, the AUC issued Bulletin 2015-02 seeking comments on amendments to AUC Rule 027. The proposed changes included some administrative changes to the content of the rule as well as changes to the specified penalty matrix resulting from additions, amendments, and removals of Alberta Reliability Standards from December 12th, 2013 until the start of the consultative process. The AESO and the MSA submitted comments. The AUC approved the amendments on February 25th, 2015 in Bulletin 2015-04 issued on February 26th, 2015 with the new Rule 027 taking effect on March 1st, 2015. A summary of the penalty matrix changes are listed in Table 2.2.

Table 2.2: AUC Rule 027 Amendments

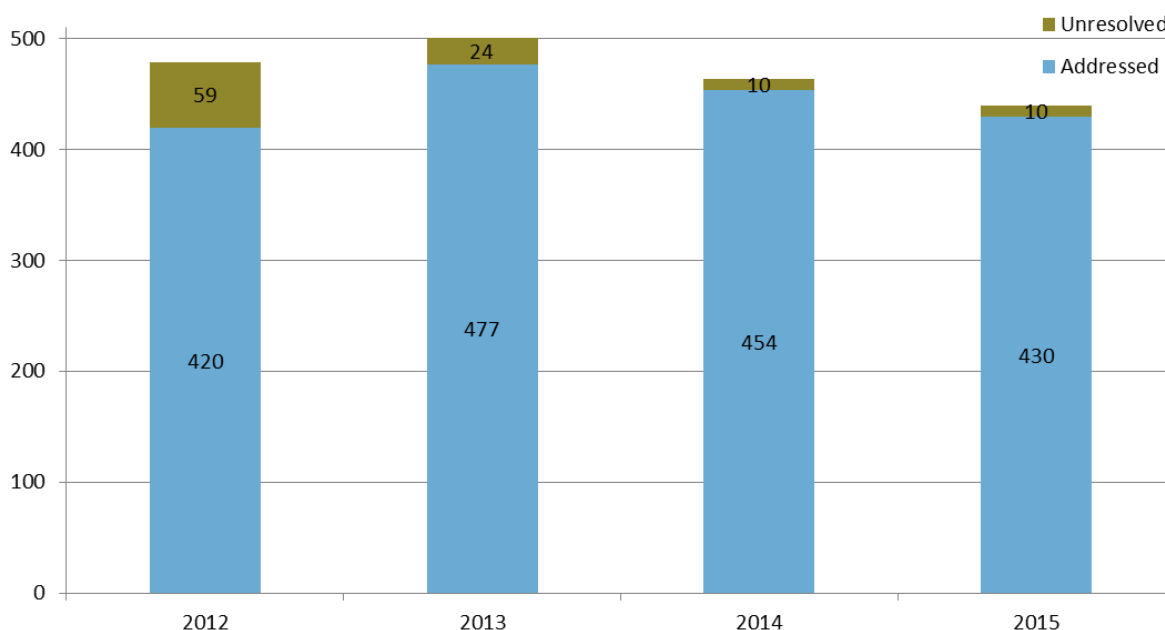
Penalty Table Category	Standard Version Updates	Standard Additions	Standard Deletions
Category 1	IRO-010-AB-1a	IRO-014-AB-1, IRO-015-AB-1, IRO-016-AB-1	
Category 2	BAL-004-WECC-AB1-1, COM-001-AB1-1.1 (R3-R7)	IRO-001-AB1-1.1, IRO-002-AB-2, IRO-005-AB-3.a (R1)	
Category 3	COM-001-AB1-1.1 (R1, R2), EOP-001-AB1-2.1b (R2-R10), PRC-001-AB2-1	BAL-002-WECC-AB-2, IRO-005-AB-3.1a (R2-R11), IRO-008-AB-1(R1-R2)	BAL-STD-002-AB-0, IRO-001-AB-1.1
Category 4			
Category 5		IRO-003-AB-2	
Category 6	FAC-501-WECC-AB2-1	IRO-008-AB-1 (R3), IRO-009-AB-1 (R1, R2), PER-004-AB-2	
Category 7		IRO-006-WECC-AB-2, IRO-009-AB-1 (R3-R5)	
Category 8		IRO-006-AB-5	
Category 9	EOP-001-AB1-2.1b (R1)		

3. ISO Rules Enforcement

3.1 Activity Levels

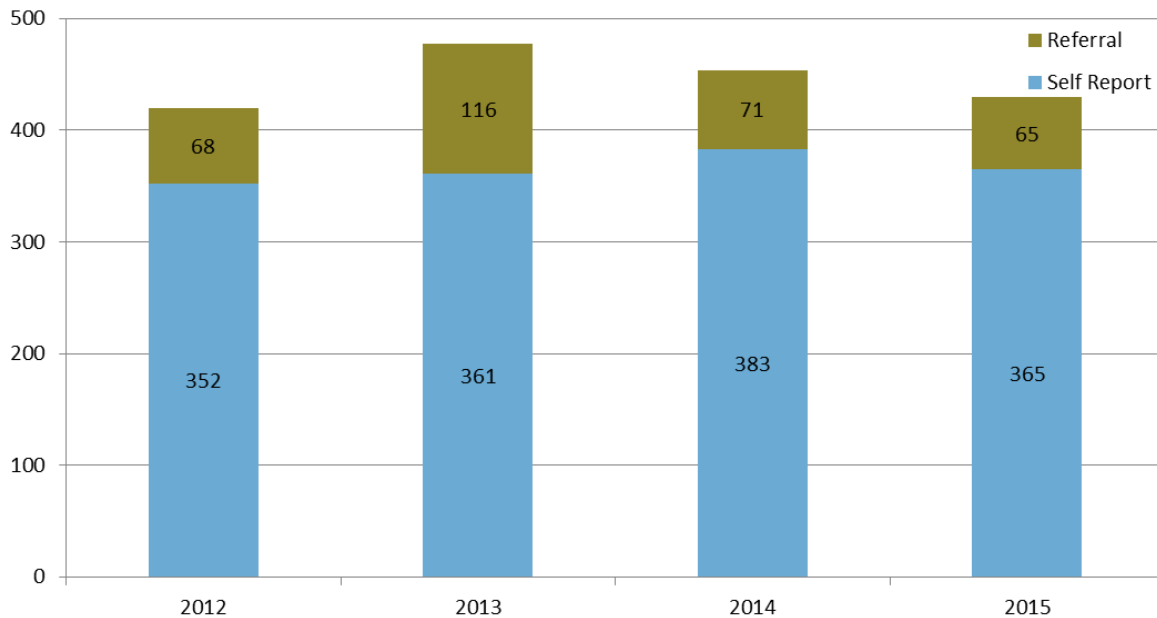
In 2015, the MSA addressed 430 ISO rules compliance files and had 10 files unresolved at the end of the year. Of the 430 files, 39 resulted in a notice of specified penalty and 391 resulted in forbearance. No compliance matters were brought before the AUC for a hearing or other proceeding, and none of the notices of specified penalty were disputed or remained unpaid. In 2014, the MSA addressed 454 ISO rules compliance matters and issued 47 notices of specified penalty, as well as, 407 letters of forbearance. As Figure 3.1 demonstrates, the number of ISO rules compliance matters received decreased as we continue to see a leveling out of ISO rules compliance matters.

Figure 3.1: ISO Rules Compliance Matters Addressed



The MSA received 365 ISO rules compliance matters via self-report and 65 matters through AESO referrals, representing 85% and 15% of total matters addressed in the year, respectively. Of the 365 ISO rules related self-reports addressed in 2015, 15 were issued a notice of specified penalty, while 24 out of 65 matters referred by the AESO received a notice of specified penalty.¹ Contraventions self-reported to the MSA can receive favourable treatment. However, the MSA may issue notices of specified penalty for those matters if the contravention does not meet the forbearance criteria outlined in the MSA's compliance process such as, if the contravention is deemed serious or is seen as a recurring problem. Penalty amounts issued for self-reports are reduced by 50% as outlined in AUC Rule 019.

¹ The MSA may open multiple files to process a single referral in certain cases depending on the details of the matter being referred. Accordingly, the total number of matters prompted by a referral addressed in a particular year may not reflect the total referrals received from the AESO.

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

The distribution of ISO rules compliance files addressed by the MSA in 2015 is similar to that observed in 2014. The majority of matters seen by the MSA relate to ISO rules governing the most common day-to-day energy market activities, such as: the submission of energy restatements (ISO rule 203.3); acknowledgement of dispatches (ISO rule 201.7); and delivery of energy or operating reserves in response to a dispatch or directive (ISO rules 203.4 for energy and 205.4 through 205.6 for operating reserves). ISO rule 203.3 matters accounted for 25% of the matters addressed in 2015, while ISO rule 201.7 matters accounted for 8%, ISO rule 203.4 matters accounted for 24%, and ISO rules 205.4 through 205.6 matters accounted for 14% of the matters addressed in 2015.

Those rules typically have a requirement for performing an action within a short period of time or delivering an exact amount of energy within a certain period of time. As a result, contraventions can occur when timelines or amounts are missed by small margins. Such events may have no impact on the reliability of the electric system and in cases where they do not and there is no pattern of reoccurrence the MSA typically forbears. For more substantial matters, the MSA is considerably less likely to forbear. Specific trends and compliance developments are discussed in section 3.3 of this report. In 2015, 33 different ISO rules and Operating Policies and Procedures (OPPs) were identified through self-reports and referrals, a similar number to the previous year.

Figure 3.3: 2015 Compliance Matters Addressed by ISO Rule

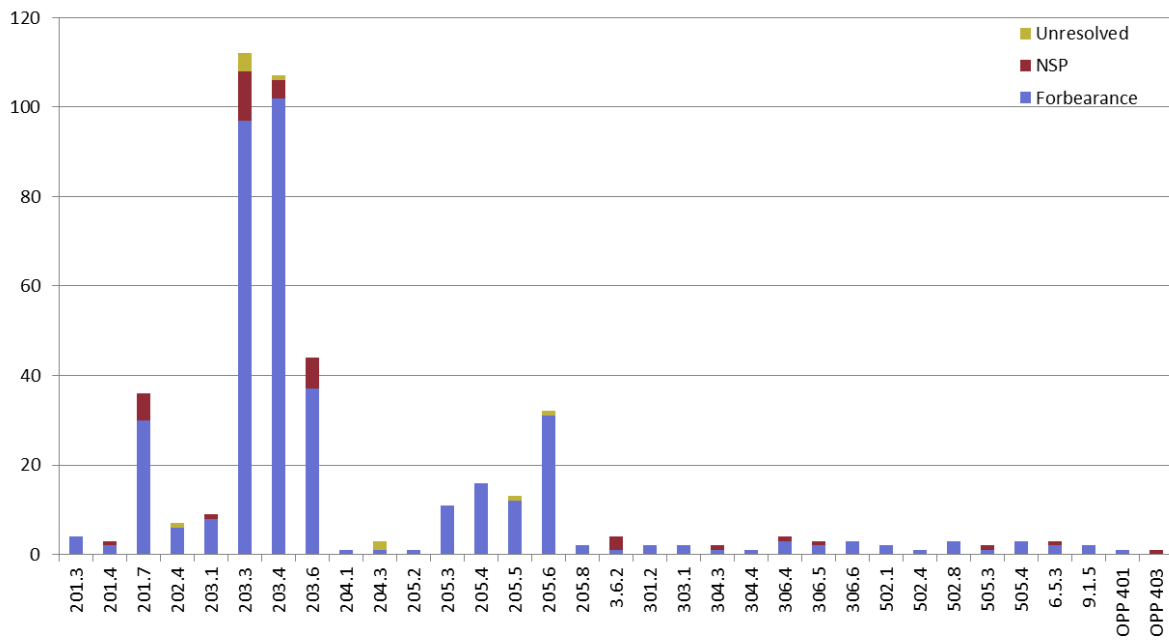


Table 3.1 breaks down compliance matters by month of contravention and the relevant rule contravened for all matters addressed in 2015. Of these matters, 15 contraventions occurred in 2014. One ISO rule 502.1 contravention occurred in 2012 and was identified by the market participant in 2015. Two ISO rule section 9.1.5 matters were self-reported to the MSA in 2015. Since these matters can relate to transmission project work completed several years prior, for the purposes of this report, these matters are marked by the month they were received by the MSA.

Table 3.1: Compliance Matters Addressed by Month of Contravention

	Rule	2014						2015												Total				
		Q1	Q2	Q3	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
Forbearance	201.3						1					2			1									4
	201.4								1	1														2
	201.7						1	2	1	3	2	10			4	5	1	1						30
	202.4									2	1	2								1				6
	203.1							1		1	4	1								1				8
	203.3			1	2	1	4	11	7	5	11	6	10	5	7	12	11	4						97
	203.4					4	3	9	6	5	11	8	12	9	10	10	6	8		1				102
	203.6				1	3	5	3	2	3			4	7	3	3	1	1	1					37
	204.1															1								1
	204.3																	1						1
	205.2																1							1
	205.3								1			2	1	2	1	2	2							11
	205.4							3	2	1	1	1	2	2		1			3					16
	205.5							1			1	2	4	2		1					1			12
	205.6							2	4	1	4	4	5	7	1	1	1					1		31
	205.8							1		1													1	2
	3.6.2				1																			1
	301.2									2														2
	303.1									1								1						2
	304.3														1									1
	304.4														1									1
	306.4						1						1	1										3
	306.5												1				1							2
	306.6						1				1								1					3
	502.1								1															2
	502.4																1							1
502.8													1		1	1							3	
505.3									1														1	
505.4								1				1			1								3	
6.5.3					1	1																	2	
9.1.5															2								2	
OPP 401					1																		1	
Total		0	0	1	4	10	16	34	28	24	37	43	43	35	30	37	25	20	3				391	
NSP	201.4					2			1				4										1	
	201.7																						6	
	203.1												1										1	
	203.3				1	1		1	1		1	1	1			2	1						11	
	203.4				1		1								1			1					4	
	203.6							1	1				1	2	1		1						7	
	3.6.2				2	1																	3	
	304.3															1							1	
	306.4															1							1	
	306.5			1																			1	
	505.3									1													1	
	6.5.3			1																			1	
	OPP 403							1															1	
	Total		0	0	2	4	4	2	2	4	0	1	6	4	3	2	3	1	1	0				39
	Unresolved	202.4																			1			1
203.3																				1		3	4	
203.4																					1		1	
204.3																				2			2	
205.5													1										1	
205.6																					1		1	
Total		0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	5	4		10		

In 2015, the MSA issued 39 notices of specified penalty for ISO rules compliance matters over 27 market participants, resulting in a total financial amount of \$42,000. In the previous year, the MSA issued 47 notices of specified penalty over 26 market participants, totaling \$40,250. The percentage of notices of specified penalty issued for first contraventions increased from 72% in 2014 to 82% in 2015. There were no notices of specified penalty issued for a fourth or greater contravention within a 12 month period. This suggests that there were fewer instances of recurring non-compliance in 2015.

Table 3.2: Specified Penalties Issued in 2015 for Contravention of ISO Rules

Market Participant	ISO Rule														Total
	201.4	201.7	203.1	203.3	203.4	203.6	3.6.2	304.3	306.4	306.5	505.3	6.5.3	OPP 403		
AltaGas Ltd.					\$1,500		\$250								\$1,750
AltaLink LP by its General Partner, AltaLink Management Ltd.								\$250							\$250
CP Energy Marketing LP						\$1,500									\$1,500
Canadian Natural Resources Ltd.			\$500												\$500
Cancarb Limited					\$750										\$750
Capital Power (Alberta) Limited Partnership				\$750											\$750
Capital Power PPA Management Inc.	\$500				\$750										\$1,250
City of Medicine Hat					\$1,500										\$1,500
Daishowa-Marubeni International Ltd.				\$1,500											\$1,500
Dow Chemical Canada ULC				\$750											\$750
ENMAX Shepard Services Inc.				\$750							\$250				\$1,000
EnerNOC Ltd.												\$500			\$500
Irrigation Canal Power Cooperative Ltd.		\$7,500													\$7,500
Keyera Partnership							\$500								\$500
MEG Energy Corp.				\$1,250											\$1,250
Milner Power Limited Partnership				\$1,500											\$1,500
Morgan Stanley Capital Group Inc.				\$1,500		\$6,500									\$8,000
NRGreen Power Limited Partnership				\$750											\$750
Nexen Energy ULC		\$2,000													\$2,000
Powerex Corp.						\$750							\$250		\$1,000
Praxair Canada Inc.							\$500								\$500
Talisman Energy Canada				\$1,500						\$500					\$2,000
The Manitoba Hydro-Electric Board						\$1,500									\$1,500
TransAlta Corporation								\$500							\$500
TransAlta Energy Marketing Corporation						\$750									\$750
TransCanada Energy Ltd.				\$750											\$750
University of Calgary				\$1,500											\$1,500
Total	\$500	\$9,500	\$500	\$12,500	\$4,500	\$11,000	\$1,250	\$500	\$250	\$500	\$250	\$500	\$250	\$250	\$42,000

3.2 Performance Measures – 2015 Compliance Activities

The MSA aims to resolve ISO rules compliance matters within 30 days of receipt of the referral or self-report. The MSA tracks a number of other metrics relating to the time it takes to resolve compliance matters, from the date of their occurrence to the issuance of a penalty or forbearance, as shown in the table below.

While most compliance matters were resolved in a short period of time, due to the low number of matters the MSA receives for some ISO rules, and differing requirements between rules, some rules have higher average overall resolution rates compared to others. Rule 9.1 related matters were excluded from this table as event timelines and the process of compliance monitoring for this rule differs significantly from other ISO rules.

Table 3.3: Timeliness of Compliance Event Resolution (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
201.3		152	152		14	14		166	166
201.4	177	20	72	15	17	16	192	37	88
201.7	127	49	62	9	15	14	136	65	77
202.4		31	31		14	14		45	45
203.1	133	26	38	30	15	17	163	41	55
203.3	59	32	35	28	18	19	87	50	53
203.4	58	22	23	27	16	16	85	37	39
203.6	73	63	65	19	16	17	93	79	82
204.1		112	112		15	15		127	127
204.3		29	29		6	6		35	35
205.2		36	36		20	20		56	56
205.3		25	25		15	15		40	40
205.4		30	30		18	18		48	48
205.5		50	50		15	15		65	65
205.6		47	47		16	16		63	63
205.8		26	26		36	36		62	62
3.6.2	112	112	112	27	20	26	139	132	138
301.2		24	24		37	37		61	61
303.1		34	34		26	26		59	59
304.3	98	124	111	31	11	21	129	135	132
304.4		28	28		14	14		42	42
306.4	36	16	21	13	16	16	49	32	36
306.5	171	21	71	49	20	30	220	41	101
306.6		141	141		15	15		156	156
502.1		527	527		18	18		545	545
502.4		30	30		24	24		54	54
502.8		5	5		20	20		26	26
505.3	18	29	24	20	18	19	38	47	43
505.4		36	36		11	11		46	46
6.5.3	118	76	90	51	20	30	169	96	120
OPP 401		33	33		22	22		55	55
OPP 403	23		23	39		39	62		62
Average	84	40	44	24	17	17	108	56	61

3.3 2015 Compliance Trends

3.3.1 ISO Rule Section 203.6

The MSA addressed 44 compliance matters related to ISO rule section 203.6 – Available Transfer Capability and Transfer Path Management. This was an increase from 40 matters addressed in 2014. The MSA issued no notices of specified penalty on ISO rule section 203.6 matters in 2014, however, 7 notices of specified penalty regarding contraventions of the rule were issued in 2015. Contraventions of 203.6 typically involve inaccurately declaring available capability in relation to the sum of the e-tag volumes or restating available capability without an acceptable operational reason within T-2. Further, in late 2015,

the MSA encountered compliance situations stemming from increased export activity prompted by the decrease in average pool price over the year. In some cases, import and export assets were confused among other contraventions common with imports as outlined above.

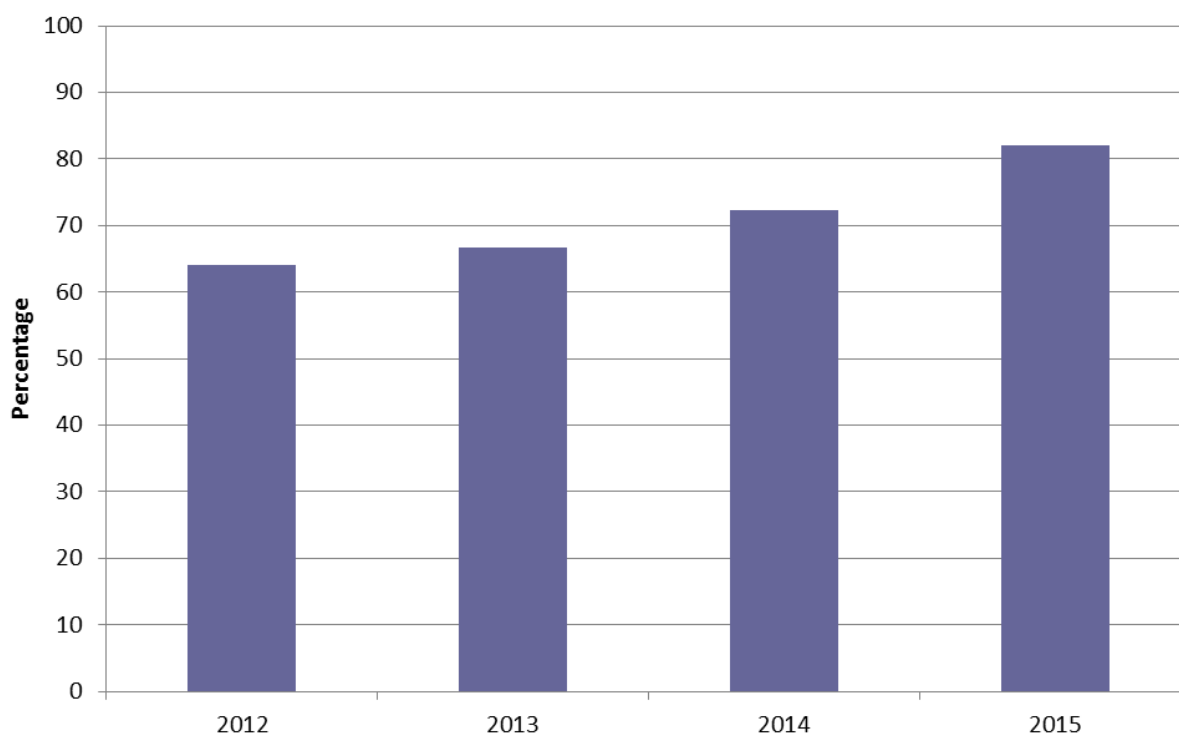
3.3.2 Operating Reserves

The new operating reserve rules became effective on December 23rd, 2014 and the MSA first saw referrals and self-reports regarding these rules in 2015. Overall, the MSA addressed 80 matters related to non-compliance with the operating reserve rules, in contrast with 2014 where the MSA addressed 56 operating reserve contraventions. Many of the contraventions in 2015 were related to the performance standards of operating reserves such as, meeting the directive within 10 minutes of receiving the directive, and the restatement of operating reserve declarations after a change in the availability of the unit to provide reserves.

3.3.3 Contravention Recurrence

As Figure 3.4 demonstrates, the proportion of notices of specified penalty issued in recent years that related to a first contravention within a 12 month period has steadily increased. Conversely, there has been a steady decrease in second, third, fourth, and subsequent contraventions within a 12 month period and indicates that issues of recurring non-compliance over time have lessened.

Figure 3.4: Percentage of first contraventions over number of NSPs issued



4. Alberta Reliability Standards Enforcement

Reliability standards are developed by the North American Electric Reliability Corporation (NERC) to provide for the reliable operation of the bulk electric system. NERC standards are grouped into 14 topical areas, such as: Transmission Operations; Resource and Demand Balancing; Communications; Emergency Preparedness and Operations; and Critical Infrastructure Protection. The authority to approve NERC standards rests with the Federal Energy Regulatory Commission (FERC) in the United States.

Since 2008, the AESO has endeavoured to adopt NERC standards as Alberta Reliability Standards. Prior to applying with the AUC to adopt a NERC standard, the AESO may modify the standard for relevance in Alberta. If the standard is not relevant the AESO may submit an application with the AUC to reject the standard as non-applicable. By the end of 2015, 79 Alberta Reliability Standards were approved by the AUC as applicable in Alberta. Most of these standards are applicable solely to the AESO as the system operator and reliability coordinator, while a subset is applicable to registered entities other than the AESO. Over the course of the year, the AUC approved new standards and amendments to existing standards. Several of these new and amended standards will become effective in 2016 and 2017.

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) 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 evident. However, registered entities can self-report suspected non-compliance directly to the MSA (as described more fully in the MSA Compliance Process). Self-reports have the prospect of forbearance or at minimum, more favourable treatment relative to a referral; if reported promptly and effectively mitigated.

4.2 Monitoring and Enforcement for AESO

The MSA has oversight responsibilities for compliance of registered entities, as well as the AESO. In respect of the AESO, the MSA is assisted by the Western Electricity Coordinating Council (WECC)² by way of a services agreement between the MSA and WECC. As noted above, the bulk of Reliability Standards effective in Alberta are applicable to the AESO given the scope of its responsibilities and consequently, its mandate to maintain system stability and reliability.

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. In Q4/15, the MSA and WECC jointly developed a 2016 Implementation Plan which was approved by the MSA in January. In accordance with the Implementation Plan, the AESO is required to self-certify compliance with all applicable standards by April 30, 2016 (consistent with cycle 2 of the self-certification schedule included in the Alberta CMP). The AESO was subject to a scheduled compliance audit by WECC in 2014 and the next scheduled audit will be in 2017.

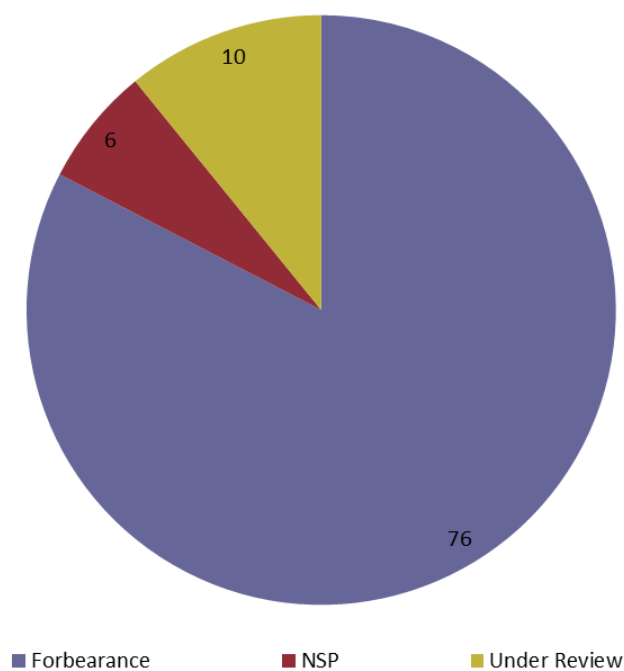
² WECC is the regional entity responsible for assuring the reliability of the Bulk Electric System in the Western Interconnection (<https://www.wecc.biz/Pages/home.aspx>).

4.3 Activity Levels – ARS

The MSA addressed 82 reliability standards matters in 2015 including 7 matters carried over from 2014. Six of these 82 matters were addressed by notices of specified penalty. However, two related matters were jointly addressed by a single notice of specified penalty and hence, five notices of specified penalty were issued in relation to these matters. Those who follow the MSA website will note that more than 5 specified penalties were issued in 2015, which was the case. However, the compliance files attributed to the three additional specified penalties issued in 2015 were not considered closed at year-end and thus were not counted among the 82 matters addressed in 2015. At the end of 2015, 10 matters remained under review for 2016.

This was a marked decrease compared to 2014 where the MSA addressed 133 reliability standards compliance matters, issuing 57 notices of specified penalty. For emphasis, the MSA addressed 62 reliability standards compliance matters in 2013. In 2015, 23 reliability standards compliance matters were referred to the MSA, while in 2014, 90 referrals were received by the MSA. This suggests that the record number of files received in 2014 was an anomaly as AESO compliance audit activity was higher in 2014 compared to other years.

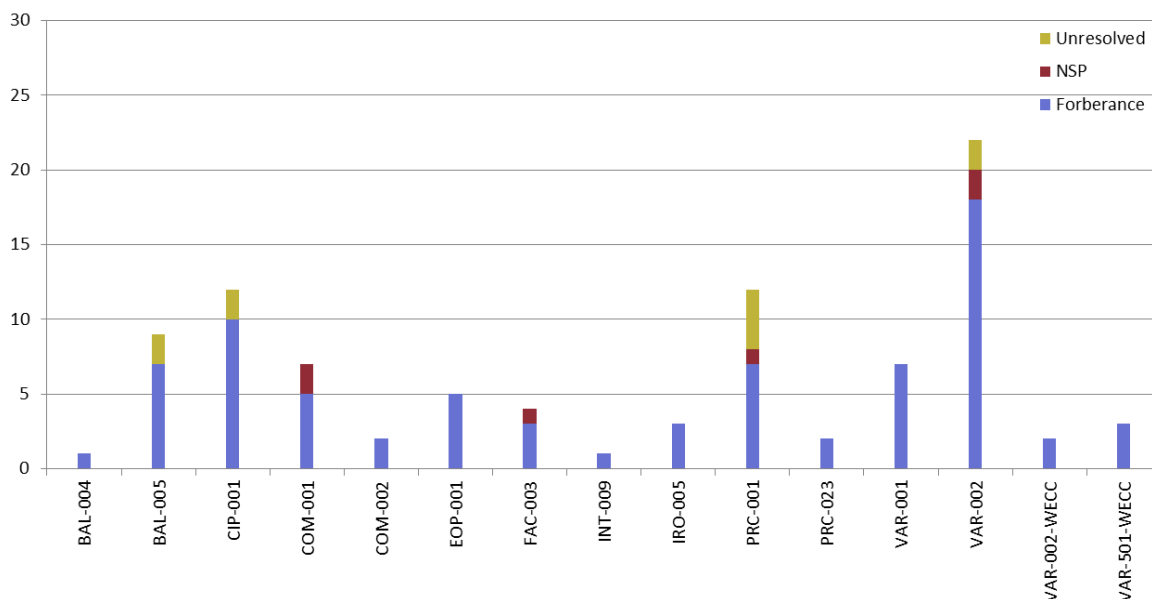
Figure 4.1: 2015 Reliability Standards Outcomes



In 2015, the most common reliability standards contraventions were for VAR-002, CIP-001, and PRC-001. In the previous year, contraventions of CIP-001 and PRC-001 were most common. In 2015, CIP-001 contraventions substantially decreased while VAR-002 related contraventions were more frequent. Improvements can be attributed to a better understanding of standards that have been in place for a longer period of time, and have been subject to audit in previous audit cycles. The prevalence of several other standards such as, BAL-005 and COM-001 also increased in 2015. This suggests that much of the

overall decrease in matters reported to the MSA from 2014 to 2015 was due to the decrease in CIP-001 contraventions.

Figure 4.2: 2015 ARS Compliance Matters by Standard



In 2015, the MSA issued 5 notices of specified penalty over 4 standards, resulting in a total financial amount of \$29,250.³ In the previous year, the MSA issued 21 notices of specified penalty over 3 standards totaling \$155,000. The decrease in notices of specified penalty issued year-over-year aligns with the substantial decrease in reliability standards compliance matters received from 2014 to 2015.

Table 4.1: Specified Penalties Issued in 2015 for Contravention of Reliability Standards

Registered Entity	Alberta Reliability Standard				Total
	COM-001	FAC-003	PRC-001	VAR-002	
AltaLink LP by its General Partner, AltaLink Management Ltd.		\$18,750			\$18,750
Canadian Forest Products Ltd.			\$5,000		\$5,000
ENMAX Energy Corporation				\$1,500	\$1,500
Imperial Oil Resources	\$4,000				\$4,000
Total	\$4,000	\$18,750	\$5,000	\$1,500	\$29,250

4.4 2015 Compliance Trends

4.4.1 CIP-001

As stated above, there was a substantial decrease in the number of CIP-001 compliance matters received by the MSA, from 75 matters opened in 2014 to 12 in 2015. As the AESO entered its second round of compliance monitoring audits, registered entities have become more familiar with the requirements of the standard coupled with changes to the compliance monitoring program, likely contributed to the decrease in CIP-001 identified in the year. The MSA expects that the replacement of CIP-001 with EOP-004-AB-2: Event Reporting will further resolve some of the issues that have arisen under CIP-001.

³ The MSA has historically, tracked reliability standard contraventions by individual standard requirements. However, notices of specified penalty have included more than one standard requirement.

4.4.2 PRC-001

The number of PRC-001 compliance matters opened by the MSA decreased from 25 in 2014 to 12 in 2015. Similar to the trend observed with CIP-001, registered entities have likely gained better awareness of the standard requirement and compliance expectations resulting in improvements to their compliance procedures regarding this standard.

4.4.3 VAR-002

The number of contraventions for VAR-002 increased in 2015, with 22 files opened compared to 17 in 2014. Many of the contraventions pertained to automatic voltage regulator (AVR) or power system stabilizer (PSS) status changes that were not reported to the AESO in accordance with the standard. The AESO amended the standard such that related requirements were relaxed to exempt generating units or aggregated generating facilities while in start-up, shutdown or offline modes and while carrying out testing. Accordingly, once these changes come into effect April 1, 2016, we expect fewer incidents of non-compliance.

5. Outlook

ISO rules compliance matters received by the MSA decreased modestly for the second year in a row. Relative stability is expected to continue based upon few expected changes to the core ISO rules; recent enhancements to the AESO's Energy Trading System (ETS) and Automated Dispatch and Messaging System (ADaMS); together with well-established internal compliance programs amongst participants. Enhancements to ETS and ADaMS assist market participants with compliance by providing alarms, notifications, or standing offers that assist with rules compliance activities. In the view of the MSA, these play a key role in helping market participants with following rules and, in the event of a contravention, in mitigating market impact.

The number of matters received related to Alberta Reliability Standards contraventions decreased significantly, which suggests that 2014 was somewhat of an anomaly due to increased compliance monitoring audit activities by the AESO. The area of Reliability Standards is more dynamic as several core standards are scheduled for revision in 2016. As well, most entities are preparing to comply with the CIP version 5 standards that come into effect on October 1, 2017. The scope of which will require registered entities to work towards complying with the standards as of the effective date.

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

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

MSA

MSA Compliance Process

<http://albertamsa.ca/uploads/pdf/Archive/2012/Compliance%20Process%20062512.pdf>

MSA WECC Services Agreement

<http://albertamsa.ca/index.php?page=notice-re-msa-wecc-services-agreement---monitoring---reliability-standards-compliance>

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.