

# Compliance Review 2017

February 27, 2018

**Taking action** to promote effective competition and a culture of compliance and accountability in Alberta's electricity and retail natural gas markets

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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 pursuant to section 23(2) of the Alberta *Transmission Regulation*.

### *Promotion of Compliance and Accountability*

The MSA has a broad mandate of surveillance, investigation, and enforcement in respect of the Alberta electricity market. The MSA's activities undertaken in accordance with this mandate benefit Albertans by ensuring markets are competitive and that there is a well-functioning and dependable electricity sector. Through enforcement of ISO rules and Alberta Reliability Standards – the subject of this annual review – the MSA contributes to the reliability and competitiveness of the Alberta electric system and promotes a culture of compliance and accountability among market participants.

### *Rules and Standards in Alberta's Electricity Market*

ISO rules are established in Alberta by the Independent System Operator (ISO), i.e., the Alberta Electric System Operator (AESO) in consultation with market participants. The purpose of ISO 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 North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) standards to assess and recommend to the Alberta Utilities Commission (AUC), whether those standards are applicable to the Alberta interconnected electric system. 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 (IES). As such, 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 applicable to the AESO 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 identify potential rule and standard contraventions by market participants and refers these 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. 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. If a party disputes a notice of specified penalty, the matter is settled by way of a hearing or other proceeding before the AUC. The MSA's

compliance process also encourages participants 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 reports summary compliance metrics as part of its quarterly reporting and publishes this separate more comprehensive analysis following year-end. For 2017, 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 overall number of ISO rules compliance matters addressed increased from 2016 to 2017. While the number of ISO rules referrals from the AESO decreased, self-reports submitted by market participants continued to represent a large majority of the events we assessed, indicating that market participants continue to actively monitor for and self-disclose events of non-compliance. The distribution of contraventions across ISO rules was broadly 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 issued in 2017 were for first contraventions within a 12 month period, which is indicative of the fact there were few persistent problems found in compliance with ISO rules.

The number of Alberta Reliability Standards matters addressed decreased from 2016 to 2017. Some variation in the number of Alberta Reliability Standards contravened is expected as a result of changes in entities subject to compliance audit from year to year given the three year audit cycle for Alberta Reliability Standards.

### *Numbers at a Glance*

- 517 ISO rules compliance matters addressed in 2017, up from 437 matters addressed in 2016.
- Self-reporting accounted for 86% of ISO rules compliance matters addressed by the MSA, up from 77% in 2016.
- 72 notices of specified penalty issued for contraventions of ISO rules for a total of \$98,250 in financial penalties. No specified penalties were disputed or remained unpaid.
- 72% of the notices of specified penalty issued for ISO rules in 2017 were for first contraventions over a 12 month period.
- 77 Alberta Reliability Standards compliance matters addressed in 2017, down from 122 addressed in 2016.
- 13 matters relating to Alberta Reliability Standards were addressed in 2017 by notices of specified penalty, totalling \$56,500 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 2017.
- Section 3 provides a description of ISO rules compliance matters considered in 2017.
- Section 4 provides a description of Alberta Reliability Standards compliance matters considered in 2017.

## **2 Statutory Developments**

### **2.1 AUC Rule 027**

On February 15, 2017, the AUC issued Bulletin 2017-01 announcing amendments to AUC Rule 027. These included changes to the specified penalty matrix resulting from additions, version updates, and removals of Alberta Reliability Standards, as described in Table 1.

Table 1: AUC Rule 027 Matrix Amendments<sup>1</sup>

Penalty Table Category	Standard Additions	Standard Removals
Category 1	CIP-002-AB-5.1 (R2)* CIP-003-AB-5 (R1, R3, R4)*, (R2)** CIP-008-AB-5 (R2, R3)* CIP-009-AB-5 (R2, R3)* CIP-011-AB-1 (R2)*	
Category 2	CIP-004-AB-5.1* CIP-005-AB-5 (R2)* CIP-006-AB-5* CIP-007-AB-5* CIP-009-AB-5 (R1)* CIP-010-AB-1 (R1, R3)* EOP-004-AB-2	VAR-002-AB-1.1b^
Category 3	BAL-005-AB2-0.2b CIP-002-AB-5.1 (R1)*	BAL-005-AB1-0.2b^ VAR-001-AB-1a^
Category 4		
Category 5	CIP-008-AB-5 (R1)*	EOP-004-AB1-1^
Category 6		
Category 7		
Category 8	CIP-005-AB-5 (R1)* CIP-010-AB-1 (R2)* CIP-011-AB-1 (R1)*	CIP-001-AB1-1
Category 9		

These changes to the matrix became effective on March 1, 2017, and on October 1, 2017 (indicated by \*) and October 1, 2018 (indicated by \*\*) certain standards came into effect. Standards that were removed from Rule 027 in 2017, but which are still present in the matrix in a revised form are indicated by ^.

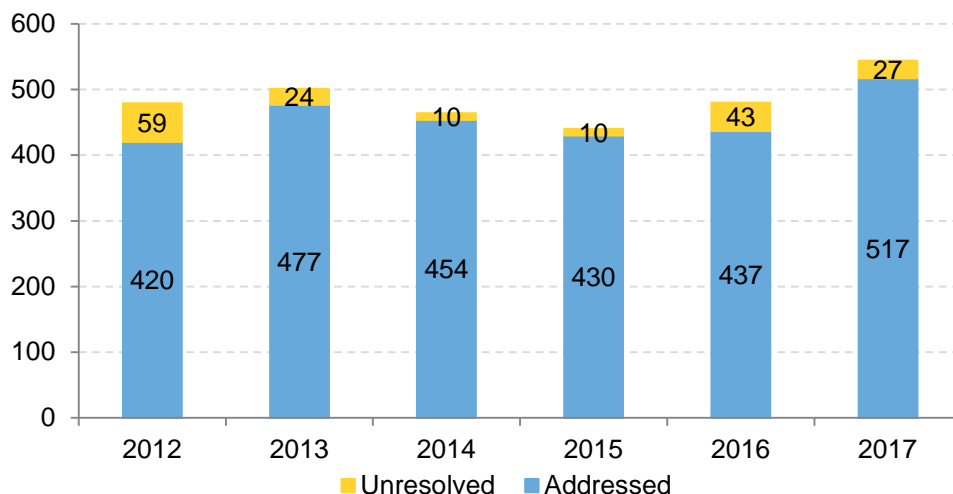
### 3 ISO Rules Enforcement

#### 3.1 Activity Levels

In 2017 the MSA addressed 517 ISO rules compliance matters and had 27 matters unresolved at the end of the year. Of the 517 files, 72 (14%) resulted in a notice of specified penalty, 437 (85%) resulted in forbearance, and eight (1%) were rejected or withdrawn. 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 2016, the MSA addressed 437 ISO rules compliance matters, with 50 matters addressed with notices of specified penalty, 385 matters resulting in forbearance, and two matters being rejected or withdrawn. As Figure 1 indicates, the number of ISO rules compliance matters received in 2017 increased compared to previous years.

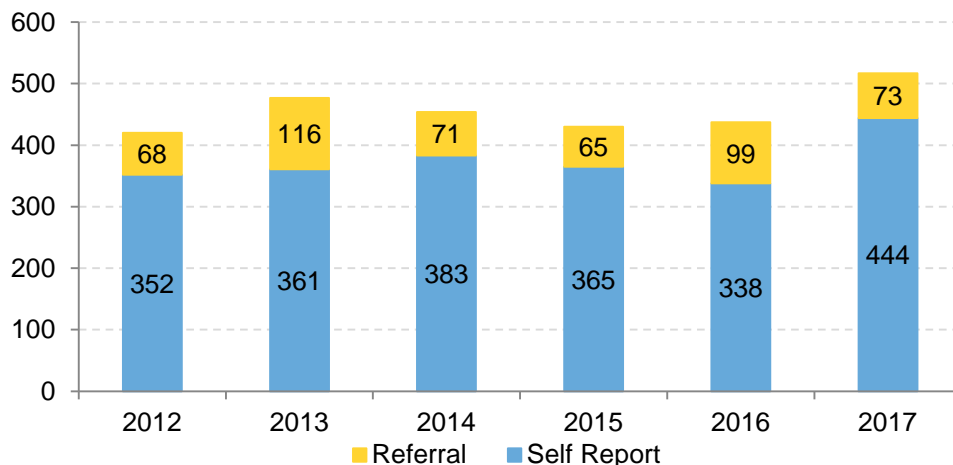
<sup>1</sup> Alberta Utilities Commission. 2017. Bulletin 2017-01. Retrieved February 7, 2018 from [http://www.auc.ab.ca/regulatory\\_documents/Consultations/Bulletin%202017-01.pdf](http://www.auc.ab.ca/regulatory_documents/Consultations/Bulletin%202017-01.pdf)

Figure 1: ISO Rules Compliance Matters Addressed



The MSA addressed 444 ISO rules compliance matters that were received via self-report and 73 matters that were received through AESO referrals (86% and 14% of total matters addressed in the year, respectively). While the number of referral matters addressed in 2017 was smaller than in 2016, the distribution of the ISO rules matters referred remained similar, with a few exceptions. The share of referral matters addressed relating to sections 201.7 and 205.6 of the ISO rules increased due to multiple issues relating to a small number of market participants. Conversely, the share of referred matters relating to sections 203.3, 203.4, 203.6 and 205.5 of the ISO rules saw declines, suggesting possible improvement in self-identification and reporting with respect to these sections.

Figure 2: ISO Rules Matters Addressed, Self-reports versus AESO Referrals



Of the 444 ISO rules related self-reports addressed in 2017, 38 were issued a notice of specified penalty; while 34 of the 73 matters referred by the AESO received a notice of specified

penalty.<sup>2</sup> Contraventions self-reported to the MSA can receive favourable treatment. However, the MSA may issue notices of specified penalty for contraventions that do 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.

The distribution of ISO rules compliance files addressed by the MSA in 2017 is broadly similar to that observed in 2016. As seen in Figure 3, 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 section 203.3), import and export information submission requirements (section 203.6), and delivery of energy or operating reserves in response to a dispatch or directive (sections 203.4 for energy and 205.4 through 205.6 for operating reserves). Section 203.3 matters accounted for 32% of the matters addressed in 2017, while section 203.4 matters accounted for 23%, section 203.6 matters accounted for 7%, and section 205.4 through 205.6 matters accounted for 10% of the matters. Lastly, although coordinating operational testing is not necessarily a day-to-day activity, section 505.4 matters accounted for 7% of matters addressed in 2017, an increase from 3% of matters in 2016.

Those ISO rules sections listed in the preceding paragraph (except for elements of 505.4) 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, there is a basis for forbearance. For more substantial matters, the MSA is considerably less likely to forbear. Specific trends and compliance developments are discussed in section 3.2 of this report. In 2017, 27 different ISO rules were identified in self-reports and referrals, a similar number to the previous year.

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<sup>2</sup> 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 originating by referral addressed in a particular year may not reflect the total referrals received from the AESO.



Figure 3: 2017 ISO Rules Compliance Matters Addressed and Unresolved

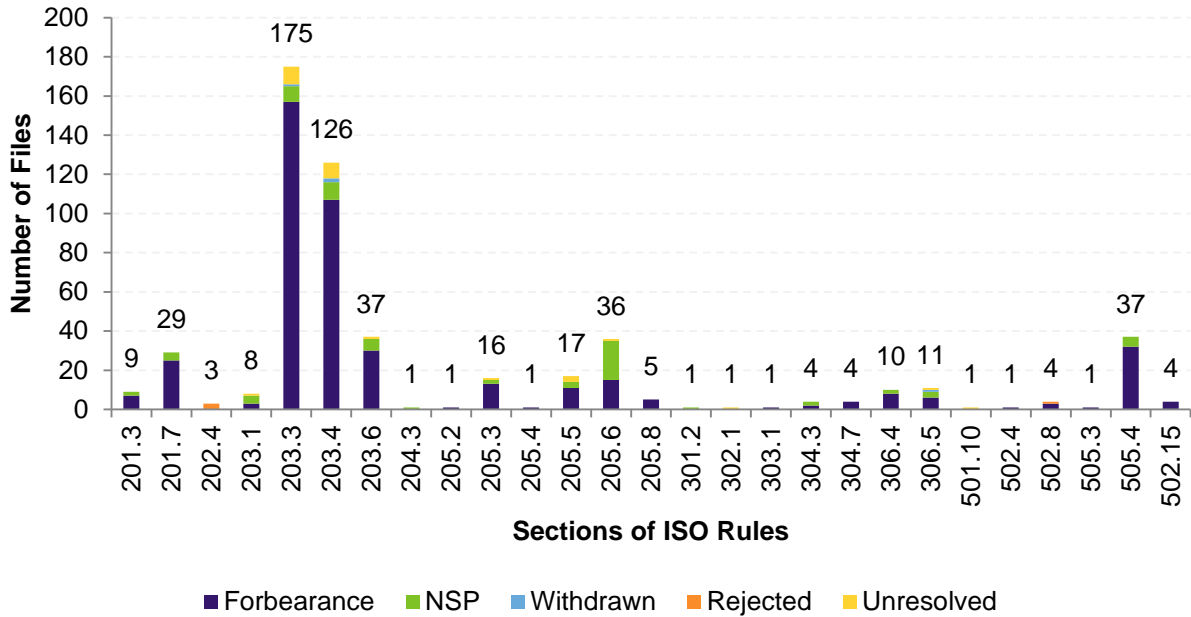


Table 2 disaggregates compliance matters by quarter/month of contravention and the relevant section of the ISO rules contravened for all matters addressed and/or received in 2017. Of the matters addressed in 2017, 93 occurred in 2016.

Table 2: ISO Rules Matters by Month of Contravention

		2016				2017												Total
		Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Forbearance	201.3	1				5		1										7
	201.7			3	8	6	1	1			1		1	2	1	1		25
	203.1			1		2												3
	203.3			8	29	15	12	9	7	18	5	17	12	7	13	5		157
	203.4				11	4	8	8	12	9	8	8	12	5	13	9		107
	203.6					4	1	3	5	2	2	3	6	1	2	1		30
	205.2				1													1
	205.3				3					2	2	1		2	3			13
	205.4										1							1
	205.5				2		1	1		4	2					1		11
	205.6				2			3		4	1	1	1			3		15
	205.8				1	1		1			2							5
	303.1									1								1
	304.3										1		1					2
	304.7				1			1		1		1						4
	306.4								1	3		3			1			8
	306.5					2						3		1				6
	502.15				2	1		1										4
	502.4										1							1
	502.8						1	1			1							3
505.3															1		1	
505.4				1	13	7		2	1	1	1	2		2	2		32	
Total	1	0	12	61	53	31	30	27	45	28	38	35	18	35	23	0	437	
NSP	201.3	1		1														2
	201.7				1				1		2							4
	203.1			2					2									4
	203.3			1	2		1	1		2				1				8
	203.4				1			2	1	1	1	2			1			9
	203.6				2	1		2				1						6
	204.3			1														1
	205.3								1	1								2
	205.5					1	1					1						3
	205.6				1	6	3	3		3	1	2			1			20
	301.2			1														1
	304.3				2													2
	306.4										1		1					2
	306.5			1	1			1										3
	505.4						3	1			1							5
Total	1	0	7	10	8	8	7	3	8	7	6	3	1	1	2	0	72	

Table 2: ISO Rules Matters by Month of Contravention (Continued)

		2016				2017												Total
		Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Rejected /Withdrawn	202.4									3								3
	203.3							1										1
	203.4														2			2
	306.5												1					1
	502.8			1														1
	Total	0	0	1	0	0	0	1	0	3	0	0	1	0	2	0	0	8
Unresolved	203.1											1						1
	203.3											1	1			5	2	9
	203.4									1	1	1	1			3	1	8
	203.6															1		1
	205.3												1					1
	205.5									1							2	3
	205.6																	1
	302.1								1									1
	306.5																	1
	501.10																1	1
Total	0	0	0	0	0	0	0	0	1	2	3	3	1	0	12	5	27	

As seen in Table 2 and Table 3, the MSA issued 72 notices of specified penalty for ISO rules compliance matters involving 39 market participants, resulting in a total financial amount of \$98,250. In the previous year, the MSA issued 50 notices of specified penalty over 31 market participants, totaling \$71,250. The percentage of notices of specified penalty issued for first contraventions declined to 72% in 2017 from 76% in 2016. Despite this decrease, the high proportion of first contraventions remains a positive indicator that ISO rules contraventions are not indicative of systemic problems. Among the balance of specified penalties issued in 2017, 12 were second contraventions, five were third contraventions, two were fourth contraventions and one was a fifth contravention. Higher frequency contraventions attract greater specified penalties as per AUC Rule 019.

Table 3: Specified Penalties Issued in 2017 for Contraventions of ISO Rules

Market Participant	201.3	201.7	203.1	203.3	203.4	203.6	204.3	205.3	205.5	205.6	301.2	304.3	306.4	306.5	505.4	Total
Air Liquide Canada Inc.										\$250						\$250
Alberta Newsprint Company										\$250						\$250
Alberta Pacific Forest Industries					\$2,000					\$1,000						\$3,000
Alberta Power (2000) Ltd.	\$250															\$250
Algonquin Power Operating Trust			\$500													\$500
Balancing Pool	\$500				\$3,500											\$4,000
Canadian Natural Resources Ltd.				\$1,500												\$1,500
Capital Power (Alberta) Limited Partnership							\$500									\$500
Capital Power (G3) Limited Partnership															\$250	\$250
Capital Power GP Holdings Inc.															\$500	\$500
Cenovus FCCL Ltd.													\$250		\$500	\$750
City of Medicine Hat					\$1,500											\$1,500
CP Energy Marketing L.P.						\$1,500										\$1,500
Daishowa-Marubeni International Ltd.					\$750			\$500	\$1,250							\$2,500
EnerNOC Ltd.										\$46,250						\$46,250
ENMAX Cavalier LP								\$500								\$500
EPCOR Distribution & Transmission Inc.													\$250			\$250
Genalta GP II Ltd.										\$500						\$500
Genalta III GP Ltd.					\$1,500											\$1,500
Ghost Pine Windfarm, LP														\$500		\$500
Grande Prairie Generation Inc.				\$750												\$750
Irrigation Canal Power Co-op Ltd.			\$500													\$500
MEG Energy Corp.				\$1,500												\$1,500
NAT-1 Limited Partnership										\$500						\$500
Northstone Power Corp.		\$1,000														\$1,000
NRGreen Power Limited Partnership			\$2,000													\$2,000
Oldman 2 Wind Farm Limited		\$500														\$500
Powerex Corp.						\$1,500										\$1,500
Repsol Canada Energy Partnership		\$500														\$500

Table 3: Specified Penalties Issued in 2017 for Contraventions of ISO Rules (Continued)

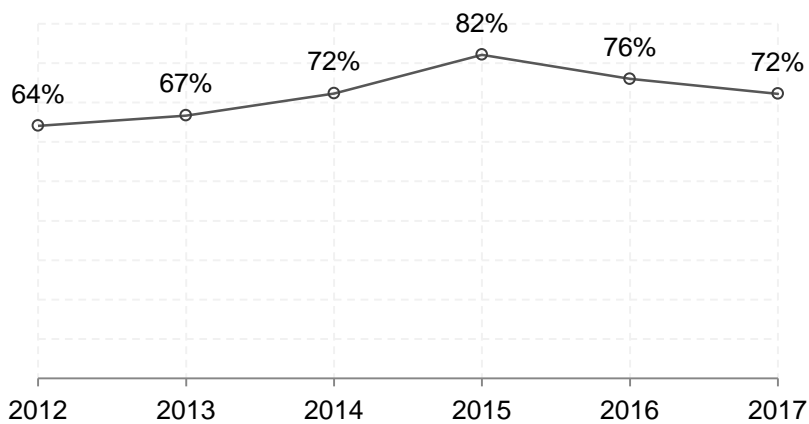
Market Participant	201.3	201.7	203.1	203.3	203.4	203.6	204.3	205.3	205.5	205.6	301.2	304.3	306.4	306.5	505.4	Total
Shell Canada Energy by its Managing Partner, Shell Canada Limited									\$250							\$250
Shell Energy North America (Canada) Inc.						\$5,750										\$5,750
Signalta Resources Limited										\$1,000						\$1,000
Suncor Energy Inc.										\$750				\$250		\$1,000
Syncrude Canada Ltd.				\$1,500												\$1,500
TransAlta Corporation				\$1,500								\$500				\$2,000
TransAlta Generation Partnership				\$2,500												\$2,500
TransCanada Energy Ltd.				\$750							\$1,500			\$500	\$250	\$3,000
West Fraser Mills Ltd.				\$750												\$750
Western Sustainable Power Inc.												\$5,000				\$5,000
<b>Total</b>	\$750	\$2,000	\$3,000	\$10,750	\$9,250	\$8,750	\$500	\$1,000	\$1,500	\$50,500	\$1,500	\$5,500	\$500	\$1,250	\$1,500	\$98,250

The time required to resolve a particular matter varies considerably depending on the particular circumstances of the matter, including the complexity of the contraventions and whether additional information was required. It took the MSA an average of 23 days for the MSA to resolve ISO rules matters in 2017.

### 3.2 2017 Compliance Trends

As demonstrated in Figure 4, the proportion of notices of specified penalty which were first contraventions within a 12 month period decreased somewhat in 2017. Despite the decreases in the past two years, the proportion of penalties related to repeated non-compliance remain low compared to 2012 through 2014.

Figure 4: Percentage of Notices of Specified Penalty which are First Contraventions



### **3.3 ISO Rule Section 501.10**

A delay in posting 2018 transmission loss factors due to a revision in the underlying methodology prompted the AESO to seek forbearance from the MSA in the fourth quarter of 2017, respecting subsection 3(1) of section 501.10 of the ISO rules (the rule). Per subsection 3(1) of the rule (in effect during the relevant period), the AESO is required to post 2018 transmission loss factors on or before November 7, 2017. However, a public AESO consultation was underway respecting changes to the calculation methodology prescribed by the rule and the AESO was unable to meet the posting deadline. The MSA concluded that there was a basis for extending conditional forbearance on this matter until the end of 2017, given the matter was self-reported and the revision to the rule required the completion of a corresponding AUC proceeding (AUC Proceeding 23148). The AUC proceeding was completed on December 8 and the rule was amended effective December 7. However, as described by the [AESO](#):

The AESO encountered unanticipated complexity in preparing the 2016 energy market merit order data required for the 2018 loss factor calculations. The AESO has accordingly requested further forbearance from the MSA in anticipation of publishing 2018 loss factors no later than the end of March, 2018. The loss factors that will be published by the end of March will apply retroactively to January 1, 2018. The AESO will continue to use 2017 loss factors into 2018 on an interim basis, until 2018 loss factors are available.

This matter remains under consideration by the MSA.

## **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 recommending that the Commission reject the standard. As of the end of 2017, 75 Alberta Reliability Standards were approved by the AUC and in effect. Many 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 reviewed new standards and amendments to existing standards. Several new and amended standards became effective in 2017 or will become effective in 2018.

### **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 the 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)<sup>3</sup> by way of a services agreement between the MSA and WECC. As noted above, the bulk of Alberta 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. The AESO was subject to a scheduled compliance audit conducted by WECC in 2017 for Alberta Reliability Standards. Given the October 2017 effective date of the suite of Critical Infrastructure Protection (CIP) standards, the MSA and WECC adopted a two part audit approach for the AESO whereby these newly adopted standards will be audited at an early stage in 2018. The MSA and WECC jointly developed a 2018 Implementation Plan which was approved by the MSA in January 2018.

## **4.3 Activity Levels**

The MSA addressed 77 Alberta Reliability Standards matters in 2017 including three matters carried over from 2016. Of the matters addressed, 13 resulted in a notice of specified penalty. At the end of 2017, 42 matters remained under review.

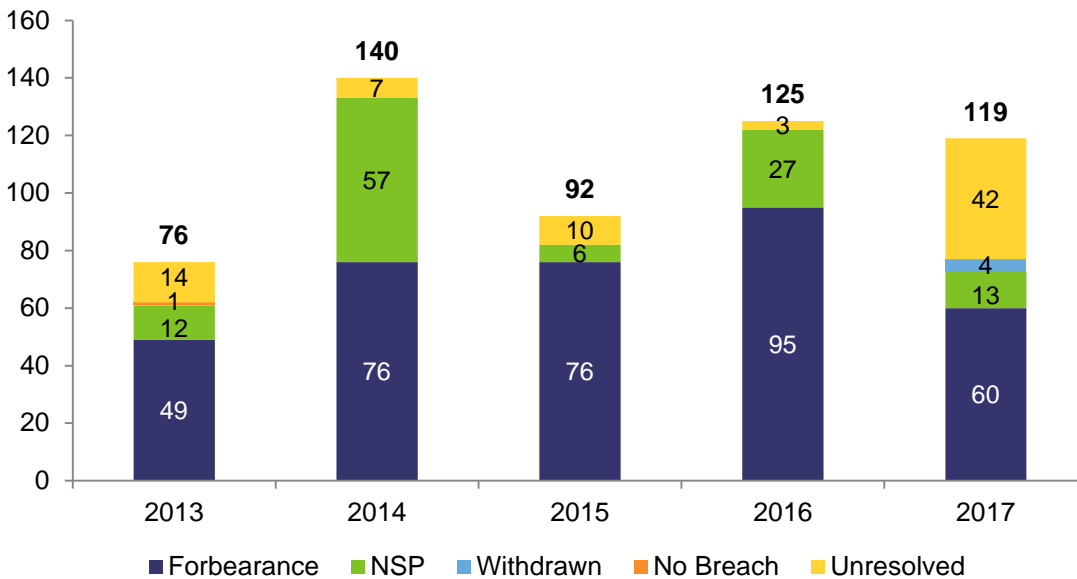
As demonstrated in Figure 5 there was a decrease in the number of Alberta Reliability Standards matters addressed in 2017 compared to 2016. The ebb and flow of Alberta Reliability Standards matters from year to year is to some extent a product of the audit cycle given that a different group of registered entities are subject to compliance audit each year based on a three year audit cycle while all registered entities are subject to self-certification annually. A large number of the unresolved matters at the end of 2017 were submitted at the end of the year or subject to mitigation plans that were still under way.

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<sup>3</sup> [WECC](#) is the regional entity responsible for assuring the reliability of the bulk electric system in the Western Interconnection.



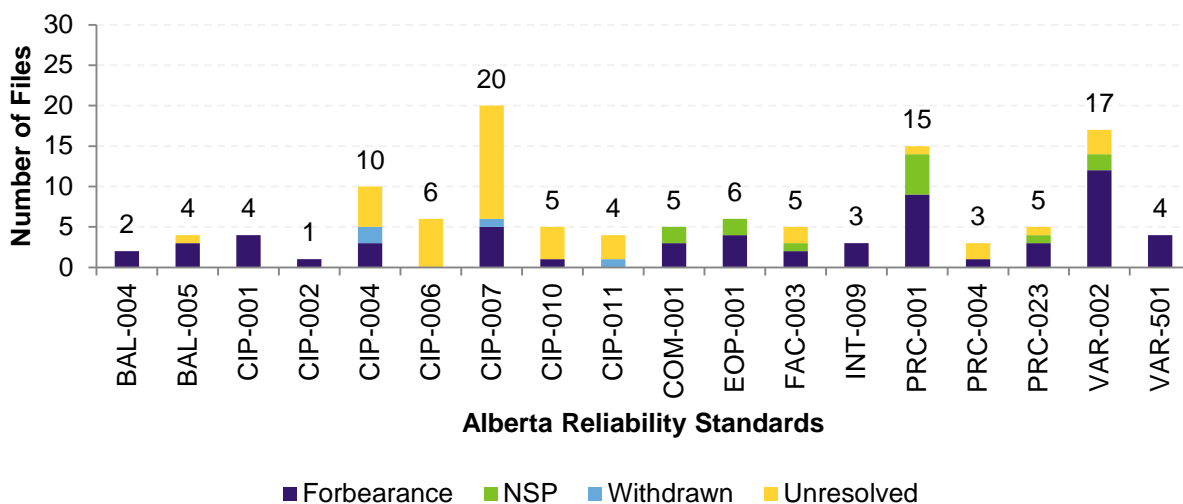
Figure 5: Alberta Reliability Standards Outcomes from 2013 to 2017



The Alberta Reliability Standards listed in Figure 6 fall into the following categories:

- 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
- PRC Protection and Control
- VAR Voltage and Reactive

Figure 6: 2017 Alberta Reliability Standards Matters Addressed and Unresolved



As presented in Figure 6, in 2017 the most common Alberta Reliability Standards contraventions were for CIP-004, CIP-007, PRC-001 and VAR-002. By comparison, the highest number of contraventions in 2016 were related to CIP-001 and VAR-002. CIP-001 was retired in August 2016, and new CIP standards including CIP-004 and 007 did not come into effect until October 2017. VAR-002 contraventions while still among the highest in 2017 were lower in total compared to 2016. The number of PRC-001 contraventions in 2016 and 2017 remained the same.

In 2017, 13 matters across six standards were addressed with a notice of specified penalty, resulting in a total financial amount of \$56,500.<sup>4</sup> In 2016, 27 matters across five standards were addressed with a notice of specified penalty, resulting in a total financial amount of \$102,500.

Table 4: Specified Penalties for Contraventions of Alberta Reliability Standards Addressed in 2017

Registered Entity	COM-001	EOP-001	FAC-003	PRC-001	PRC-023	VAR-002	Total
AltaLink L.P., by its general partner, AltaLink Management Ltd.				\$10,000*	\$3,000		\$13,000
Canadian Natural Resources Ltd.	\$2,250	\$3,750	\$18,750	\$3,750			\$28,500
City of Lethbridge		\$2,500		\$5,000			\$7,500
Oldman 2 Wind Farm Ltd.						\$7,500	\$7,500
<b>Total</b>	<b>\$2,250</b>	<b>\$6,250</b>	<b>\$18,750</b>	<b>\$18,750</b>	<b>\$3,000</b>	<b>\$7,500</b>	<b>\$56,500</b>

\*One notice of specified penalty issued in 2017 is not included in this report, as the matter remained unaddressed as of December 31, 2017. This penalty will appear in the Compliance Review 2018.

## 4.4 2017 Compliance Trends

### 4.4.1 CIP Alberta Reliability Standards

Following the additional CIP standards that became effective in October 2017, the MSA has seen a number of self-reports regarding these standards. There are ongoing adjustments being made as affected parties deepen their understanding of the implications of these standards and adopt practices to enhance compliance. The impact of the introduction of these standards has been partially offset by no further CIP-001 compliance matters going forward due to the withdrawal of this standard in 2016, with event reporting requirements for market participants and the ISO now included in section 304.7 of the ISO rules and EOP-004-AB-2.

### 4.4.2 VAR-002

Typical contraventions of this standard pertain to automatic voltage regulator or voltage regulating system status change reporting or obtaining consent. The sum of VAR-002 and VAR-002-WECC matters addressed in 2017 declined to 14 from 26 in 2016, suggesting that the updated version of VAR-002 (VAR-002-AB-3) may have resulted in fewer incidents of non-compliance, as anticipated in the MSA Compliance Review 2016.

<sup>4</sup> The MSA tracks Alberta Reliability Standard contraventions by individual standard requirements. However, some notices of specified penalty may include more than one standard requirement.

#### **4.4.3 BAL-004, BAL-005 and COM-001**

When compared to 2016, 2017 saw declines in BAL-004, BAL-005 and COM-001 contraventions to low and moderate levels. BAL-004 was retired in July 2017 and like most BAL standards it is only applicable to the ISO. COM-001 contraventions include failing to provide a means to coordinate voice and message telecommunications with the ISO and adjacent interconnected transmission operators, not having instructions and procedures in place to enable continued operation of the IES during the loss of voice and message telecommunication facilities, and testing alternate voice and message telecommunication facilities. Contraventions addressed in 2017 relating to these standards were limited to a small number of market participants.

## **5 Outlook**

Given established compliance programs and procedures in industry, ISO rules matters received by the MSA are likely to remain comparable to recent years for as long as current ISO rules remain in place. This is predicated in large measure on the efforts of market participants to sustain the efficacy of their compliance programs. It remains to be seen what changes to ISO rules will occur during the market transition and the implications that any such changes may have on compliance.

As anticipated in the MSA Compliance Review 2016, the introduction of additional CIP standards in October 2017 has created additional workflow for the MSA, the AESO, and market participants. This effect was visible in 2017 through self-reports. These standards will be subject to AESO compliance monitoring audits beginning in Q1 2018.

## References

### AESO

ISO Rules

<https://www.aeso.ca/rules-standards-and-tariff/iso-rules/>

Alberta Reliability Standards

<https://www.aeso.ca/rules-standards-and-tariff/alberta-reliability-standards/>

### 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/1266.cfm?page=A37P2.cfm&leg\\_type=Acts&isbncln=9780779785322](http://www.qp.alberta.ca/1266.cfm?page=A37P2.cfm&leg_type=Acts&isbncln=9780779785322)

*Transmission Regulation*

[http://www.qp.alberta.ca/1266.cfm?page=2007\\_086.cfm&leg\\_type=Regs&isbncln=9780779782314](http://www.qp.alberta.ca/1266.cfm?page=2007_086.cfm&leg_type=Regs&isbncln=9780779782314)

### MSA

MSA Compliance Process

<http://albertamsa.ca/index.php?page=compliance>

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>