

September 27, 2011

Dear Market Participants and Interested Parties:

**Re: Second Consultation on Proposed Alberta Reliability Standard:
Resource and Demand Balancing *Disturbance Control Performance* BAL-002-AB-1
("BAL-002-AB-1 Draft 2.1")**

Section 19 of the *Transmission Regulation* requires the Alberta Electric System Operator ("AESO") to consult with market participants likely to be directly affected by the AESO's adoption or making of reliability standards, and also requires the AESO to forward the proposed reliability standard to the Alberta Utilities Commission ("Commission") for review along with the AESO's recommendation that the Commission approve or reject them.

Accordingly, the AESO is providing notice and seeking further comments from market participants on attached proposed BAL-002-AB-1 Draft 2.1.

Following the AESO's receipt of and reply to comments from market participants regarding proposed BAL-002-AB-1 Draft 2.1, the AESO intends to finalize proposed BAL-002-AB-1 Draft 2.1 and forward it to the Commission for approval as a reliability standard that applies in Alberta.

Applicability of proposed BAL-002-AB-1 Draft 2.1

Proposed BAL-002-AB-1 Draft 2.1 is applicable to:

- the AESO, which may meet the requirements of BAL-002-AB-1 through participation in a reserve sharing group which the AESO has designated as its agent.

Summary of proposed BAL-002-AB-1 Draft 2.1

The purpose of BAL-002-AB-1 Draft 2.1 is to ensure the AESO is able to utilize its contingency reserve to balance resources and demand and return interconnection frequency within defined limits following a disturbance resulting from a loss of supply.

Previous Stakeholder Consultation

On May 1, 2009, the AESO issued a [Letter of Notice](#) and commenced consultation on proposed reliability standard BAL-002-AB-0 and requested stakeholder comments on the same.

The AESO received and considered stakeholder comments in response to its May 1, 2009 Letter of Notice, made further amendments to proposed BAL-002-AB-0 (now proposed BAL-002-AB-1) as a result of written comments received, and is of the view that the additional amendments now warrant re-consultation.

During the AESO's consultation on proposed BAL-002-AB-0, the North American Electric Reliability Corporation ("NERC") Board of Trustees approved NERC standard BAL-002-1 *Disturbance Control Performance* replacing existing NERC BAL-002-0 *Disturbance Control Performance*.

The AESO's replies are set out in the attached AESO Replies document, and a summary of the stakeholder comments received and the AESO's reply to these comments are included below.

AESO Reply to Stakeholder Comments on May 1, 2009 Letter of Notice

The AESO received written comments from one stakeholder in response to proposed Alberta reliability standard BAL-002-AB-0 attached to its May 1, 2009 Letter of Notice. The AESO's replies to these comments are summarized below:

1. IPPSA expressed concerns regarding proposed Alberta requirement R3 (NERC requirement R3.1) which states "the ISO must review at least annually its probable contingencies to determine its prospective MSSC". IPPSA questioned if this would include an annual review of the system's needs for transmission must run? In response to these comments, the AESO replied that NERC requirement R3.1 (Alberta requirement R6) does not require an annual review of the system's need for transmission must run. The requirement only refers to a review of probable contingencies to determine the most severe single contingency for the Alberta balancing authority area. The AESO's determination of the most severe single contingency on the interconnected electric system will not include an annual review of the interconnected electric system's need for transmission must run.

Summary of Amendments to NERC Standard BAL-002-1

Proposed BAL-002-AB-1 Draft 2.1 has been amended as follows:

1. The applicability section has been amended to correctly identify the applicable entities in Alberta and to align with the defined terms included in the AESO's *Consolidated Authoritative Documents Glossary*;
2. The effective date has been amended to October 1, 2012, to allow a reasonable amount of time for Alberta entities to implement proposed BAL-002-AB-1 Draft 2.1;
3. NERC requirement R1 contains two requirements and has been split into Alberta requirements R1 and R2. Alberta requirement R1 sets out when contingency reserves are to be deployed. As well, requirement R1 references timelines set out in WECC BAL-STD-002-0, which are more stringent than the timeline required in NERC BAL-002-1 requirements R6.2. Requirement R1 also clarifies that the AESO has access to, but does not operate, contingency reserves. Alberta requirement R2 sets out the sources of contingency reserves to which the AESO must have access;
4. NERC sub-requirement R1.1 does not include an obligation, and accordingly, has been incorporated into Alberta measure MR1;
5. NERC requirement R3.1 contains two requirements and has been split into Alberta requirements R3 and R6. Alberta requirement R3 sets out how much contingency reserve is required. Alberta requirement R6 sets out the schedule for review of the most severe single contingency;
6. NERC requirement R2 and its sub-requirements are not adopted in proposed BAL-002-AB-1 Draft 2.1 as they only apply to entities outside Alberta;
7. NERC BAL-002-0 Compliance Section D.1.5 contains requirements regarding reportable disturbances and contingency reserves, which have been moved to Alberta requirement R4 and its sub-requirements. Alberta requirement R4.2 references timelines set out in WECC BAL-STD-002-0, which are more stringent than the timeline required in NERC BAL-002-1 R6.2;
8. NERC BAL-002-1 measure M1 contains the formula used to calculate area control error for reportable disturbance, which is a requirement, and has been moved to Alberta requirement R5;
9. NERC requirement R4 has been moved to Alberta requirement R4 in order to include all of the disturbance recovery criteria in one requirement;
10. NERC requirements R4.1 and R4.2 have been incorporated into Alberta requirement R4;
11. The default Disturbance Recovery Period of 15 minutes after the start of a Reportable Disturbance identified in NERC requirement R4.2 has been included in Alberta requirement R4, to include all of the disturbance recovery criteria in one requirement;

12. NERC requirement R5 and its sub-requirements apply to the reserve sharing group and therefore are not applicable in Alberta;
13. NERC requirement R6 and its sub-requirements have been removed as they are covered by Alberta requirement R1;
14. Passive terms such as “shall” have been changed to “must”, a consistent writing style has been applied, requirements have been clarified, and measures have been appropriately aligned with requirements. In addition, defined terms now appear in bold font rather than italics; and the use of acronyms is limited to the ‘ISO’ and the ‘WECC’ with all other defined terms being written out in full; and
15. The AESO recognizes that there is content overlap and some minor duplication with requirements in proposed BAL-002-AB-1 Draft 2.1 and provisions in existing ISO OPP 402 *Supplemental and Spinning Reserve Services*. The AESO accepts that this duplication exists and will address this duplication when ISO OPP 402 is transitioned as part of the Transition of Authoritative Documents (“TOAD”) project in 2012.

Separate Consultation on related New Reliability Standards Definitions

As part of the development of proposed BAL-002-AB-1 Draft 2.1, the AESO has determined the need for two new definitions to be proposed for use in the reliability standards and to be incorporated into the AESO’s *Consolidated Authoritative Document Glossary*.

In conjunction with the consultation on proposed BAL-002-AB-1 Draft 2.1, the AESO will be consulting on the proposed new reliability standards definitions separately. ([Click here](#) to view the Letter of Notice for the new reliability standards definitions dated September 27, 2011).

Implementation of Alberta Reliability Standards

All reliability standards proposed for approval or rejection by the AESO are based on the reliability standards and definitions developed, or approved, and enforced by the North American Electric Reliability Corporation (“NERC”). NERC was certified as the Electric Reliability Organization (“ERO”) for the United States by the Federal Energy Regulatory Commission (“FERC”) under the US *Energy Policy Act of 2005*. NERC has been granted recognition as the ERO by the Minister of Energy in Alberta pursuant to Section 20 of the *Transmission Regulation*.

In accordance with Section 19 of the *Transmission Regulation*, the reliability standards that apply in Alberta are those of the ERO or any other reliability standards to the extent that such reliability standards are adopted by the AESO after consultation with market participants and after receipt of Commission approval.

Further information regarding the AESO’s adoption of reliability standards is available on the AESO website at <http://www.aeso.ca/rulesprocedures/17004.html> .

Request for Stakeholder Comments

Comments and suggestions on proposed BAL-002-AB-1 Draft 2.1 are encouraged.

The attached Stakeholder Comparison Comment Rationale Matrix sets out the following:

- a) the complete text of NERC BAL-002-1, with the exception of the compliance section D. The Alberta reliability standards do not contain a compliance section. Compliance with all Alberta reliability standards is completed in accordance with the Alberta Reliability Standards Compliance Monitoring Program, available on the AESO website at: <http://www.aeso.ca/loadsettlement/17189.html>. For information, a link is provided to NERC compliance section D in the Stakeholder Comparison Comment Rationale Matrix;
- b) the text of proposed BAL-002-AB-0 that was previously consulted on May 1, 2009, and provided as reference only;

- c) the proposed Alberta requirements and measures of proposed BAL-002-AB-1 Draft 2.1;
- d) the AESO's rationale with regard to other modifications to the NERC wording;
- e) Appendix A: DCS Calculation from BAL-002-AB-0 from previous consultation;
- f) a 'stakeholder comments' section to be used by market participants when providing written comments to the AESO; and
- g) an 'AESO replies' section that will be used by the AESO to respond to comments received from market participants, if any.

Please use the attached Stakeholder Comparison Comment Rationale Matrix when submitting comments to the AESO on proposed BAL-002-AB-1 Draft 2.1. Only written comments will be considered by the AESO in finalizing proposed BAL-002-AB-1 Draft 2.1.

Please provide written stakeholder comments or questions no later than **October 14, 2011** to Neil Curtis at ars_comments@aeso.ca.

AESO Replies to Stakeholder Comments

The AESO will be publishing all stakeholder comments received shortly after the comment deadline. Stakeholder comments received along with AESO replies to the comments will be published in November, 2011.

Please ensure that comments provided represent all interests within each stakeholder organization with respect to proposed BAL-002-AB-1 Draft 2.1.

In the event that the AESO does not receive comments from stakeholders regarding proposed BAL-002-AB-1 Draft 2.1, the AESO is expecting to forward along with its recommendation to approve proposed BAL-002-AB-1 Draft 2.1 to the Commission in December, 2011.

Attachments

The following documents are attached:

- a) AESO [Replies](#) to the May 1, 2009 Letter of Notice; and
- b) [Stakeholder Comparison Comment Rationale Matrix](#) for proposed BAL-002-AB-1 Draft 2.1.

The full text of all NERC reliability standards is available on the NERC website: <http://www.nerc.com/page.php?cid=2|20>

Proposed Effective Date

The AESO proposes that proposed BAL-002-AB-1 Draft 2.1 becomes effective on October 1, 2012.

Yours sincerely,

Original Signed By

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Attachments