

**AESO Reliability Committee (ARC)
Compliance Work Group
Terms of Reference**

Purpose

The AESO Reliability Committee (ARC) Compliance Work Group shall provide advice to the AESO on the development of an Alberta compliance monitoring program for mandatory reliability standards, as required under section 23(1) of the Transmission Regulation (AR 86 / 2007).

The ARC work groups shall receive assignments from the AESO and shall report their results to the ARC in a timely manner.

Work Group Membership

- The ARC work groups will be chaired by the AESO.
- ARC members shall assign appropriate resources to participate in ARC work groups.
- ARC work group members are expected to be senior level personnel with appropriate expertise.
- Any market participant that is directly affected by the compliance process may attend meetings and participate in the activities of that work group.

Principles for Development of the Compliance Program

- The program must allow AESO must be able to carry out and meet the obligations of our mandate.
- The program must be aligned with regulations and framework established for compliance and enforcement in Alberta.
- The program must meet the intent of NERC reliability standards, and be sufficient to demonstrate Alberta's compliance to the NERC standards.
- AESO will consider the input of stakeholders in the development of the program, in making decisions on the program.
- The program shall focus on how to effectively implement compliance monitoring (meet principles above) with consideration to minimizing costs, effort, and disruption to the industry as a whole.

Work Group Scope and Duties

Work Group shall:

- Provide input to AESO on topic areas pertaining to establishing a compliance program for Alberta adopted mandatory reliability standards, including but not limited to:
 - Reviewing and providing input on methods for monitoring reliability standards to be employed in Alberta (NERC has 8 components in NERC CEP)
 - Establishing common data and reporting formats, protocols, and mechanisms for submission and exchange of data/information
 - Providing input on processes/procedures for auditing of reports
 - Providing input on guidelines to assist in setting compliance requirements during Standards Review process
 - Draft implementation and transition plan
 - Development of audit schedules for 2008?
- Assist the AESO in fulfilling its public interest mandate and duty to consult with industry on appropriate matters
- Consider input from all applicable entities that will create the most efficient and effective compliance practices for Alberta
- Consider the input with alignment to the overall compliance roles and processes established under ISO Rule 12
- Refer issues that are identified by the work group that are outside of the scope to other work groups, parties, or agencies

Work Group shall NOT:

- Establish metrics, measures, data collection, or other compliance requirements pertaining to any individual standard (role of other ARC workgroups)
- Establish processes or rules pertaining to compliance which are covered through ISO Rule 12 (consultation is separate)
- Establish processes or rules pertaining to assessment of penalties for non-compliance (role of the AUC)
- Establish processes or rules pertaining to enforcement of non-compliance (role of the MSA)
- Establish processes or rules to determine for non-compliance (role of the MSA)

Compliance Work Group Administration

Work Group will provide advice to AESO in the development of a compliance program for reliability standards, which is expected to be completed by June 30, 2008, and ready for operation by January 2009.

Work Group Member - Desired Skills:

- Familiarization with audit, compliance or regulatory processes and practices
- Understanding and appreciation of industry regulations and processes
- Broad understanding to identify where proposed directions will result in issues for the industry, and to be able to discuss them
- Understanding of AESO and/or NERC compliance standards/processes an asset
- Technical knowledge of electric industry not required

Estimated Time Commitment (to be finalized by Work Group)

- Work Group will meet approximately every 2-3 weeks
- Commencing in April 2008
- Work Group is expected to close off by July 2008

Chair – AESO Director, Compliance - Peter Wong

- Responsible for administration and facilitation of meetings
- Responsible for leading discussions and capturing input
- Will represent AESO in putting forward topics and issues for discussion
- Will produce draft and final compliance program
- Alternate Chair – to be determined

Terms of Engagement

1. Work groups will determine their own meeting dates and timelines. Meeting agenda will be prepared and communicated in advance to provide market participants with opportunity to decide whether their attendance is required at a work group meeting. Work groups are expected to meet at least once between each ARC meeting and potentially as often as weekly, depending on workload.
2. Members are expected to dedicate time to participate in work group meetings and review material prior to meetings.
3. Members must participate within the scope and duties as outlined above.
4. Work groups output will be submitted to the ARC for review and resulting recommendations will be considered by the AESO to establish appropriate standards, processes and rules. The AESO will make decisions consistent with its mandate, policy and legislation considering the input and advice provided by the ARC. The rationale for decisions will be communicated.

5. The activities of the work groups and related documents will be communicated to the stakeholders by the AESO as appropriate.
6. Member concerns shall be summarized in written form by the contributor to the Work Group chair and will be shared with all stakeholders (i.e. posted to AESO Website) unless this is not in the public interest due to confidentiality or security reasons.
7. A member or a representative of any work group will not be precluded from participating in the AESO's Rules process or ultimately participating in any related AUC proceeding.
8. In cases where an assigned standard or a requirement of a standard may apply to a different work group, the work group assigned to review the standard may ask another work group to review one or more elements of that standard.