



January 27, 2012

Mr. Neil Curtis
Alberta Electric System Operator
2500, 330 5th Avenue SW
Calgary, Alberta, T3P 0L4

Dear Neil,

RE: EOP-001-AB-1 Applicability Language

ATCO Power appreciates the opportunity to provide a position letter regarding *Emergency Operations Planning EOP-001-AB-2b* (EOP-001), which has been moving through the stakeholder consultation process. Our comments specifically relate to the applicability language proposed for this reliability standard, which if approved may be used in future standards. The proposed applicability language may also be incorporated into existing standards to be revised via “administrative filing” to the AUC. Our view is that the proposed language, while an improvement, remains unclear and will unnecessarily increase the regulatory burden on industry and require the AESO to evaluate more assessment applications than if the language was significantly improved for clarity.

The AESO relies on *Electric Utilities Act* (Act) definitions for “generating unit” and “transmission facility” (see Appendix A for Act definitions). However, these definitions are not exclusive – there is overlap between them. For example, generator “switch yards” in the Act “generating unit” definition include the generator transformer, breakers, switches, etc., and are similar or equivalent to “transformers and switchgear”, which are included in the Act “transmission facility” definition. Hence, the use of Act definitions does not adequately distinguish transmission facilities from generating units for the purposes of Alberta Reliability Standards. Further, Act definitions were written well before Alberta Reliability Standards were contemplated so cannot necessarily be expected to support the precision required by the standards.

In response to industry concerns, the AESO has attempted to resolve this ambiguity by developing language it believes will add clarity to entity applicability. In its November 24, 2011 *Reply to Market Participant Comments* regarding EOP-001, the AESO states that if further clarification is required, the AESO would include additional wording (see Appendix B for AESO’s proposed language and additional wording).

While ATCO appreciates the AESO’s response to stakeholder concerns regarding the ambiguity of Act definitions for the purposes of reliability standards, ATCO remains of the view that the AESO’s proposed wording solutions do not resolve the ambiguity problem. Our view is that definitions should clearly identify each entity, each entity should be distinct, and entities should be based on functionality, particularly as it relates to system reliability.

ATCO suggests that for the purposes of Alberta Reliability Standards one reasonable solution to resolve the ambiguity issue is for the AESO to create an additional entity type, “generator interconnection facility”. ATCO suggests that three entity types are required and appropriate to

capture the range of facilities relevant to this discussion: generation unit, transmission facility, and generator interconnection facility.

The AESO has indicated via the AESO Reliability Committee (ARC) and AESO Reliability Committee Discussion Group (ARC DG) that it intends to use only Act definitions and will not consider creating a separate entity type to deal with the connection equipment between generation and transmission. However, ATCO suggests that there are precedents that would allow the AESO to create an additional entity type to capture system components that connect generation to transmission. For example, the Transmission Regulation clearly makes a distinction between bulk transmission and connection facilities in a number of sections (see Appendix C – *Transmission Regulation* Language). In addition, the AESO has defined many terms in its *Consolidated Glossary* that are used in authoritative AESO documents and that are not defined in the Act. For example, “Pool Participant” is an entity type used for the purposes of Alberta Reliability Standards, but it is not defined in the Act. Similarly, “legal owner” and “operator” are not defined in the Act, but are defined in the *Consolidated Glossary* and are used as components of entity types for the purposes of Alberta Reliability Standards.

The AESO has also found a way to align existing Act definitions more appropriately with the precision required by the standards. For example, in the cases of Pool Participant and Market Participant, for the purposes of Alberta Reliability Standards, the AESO has added criteria to capture or exclude certain entities that would otherwise not be included or excluded in the Act or AESO definitions. Given these precedents, the AESO has the ability and has shown the willingness to develop and use terms of its own definition and to adapt Act definitions to more appropriately meet the needs of the standards.

ATCO’s view is that the difficulties inherent in the Act definitions of generation unit and transmission facility, as outlined above, provide justification for the AESO to develop its own definitions for the relevant entity types, as it has done in other instances such as those described above.

The addition of a “generator interconnection facility” entity type would provide the AESO with flexibility when determining entity applicability for each standard. Generator interconnection facilities would be included in the applicability section when they are important to achieve the reliability intent of a particular standard and omitted without having to incorporate “exclusionary” language when not needed.

ATCO has reviewed effective standards and those listed in the “AUC Filing Pending” and “Stakeholder Consultation Pending” sections of the AESO’s *Alberta Reliability Standards Project Work Plan*, and estimates that of the standards reviewed, if the present or proposed applicability language is used, we will likely submit about six applicability requests for each ATCO Power generation facility to the AESO. Multiplying this estimate through the number of companies with similar uncertainty, the ambiguous language that is presently proposed represents significant regulatory burden to industry and a significant increase in work load to the AESO, as the AESO will be required to process all industry requests for applicability assessments (see Appendix D – *Applicability Assessment Estimate*). With the ability to clearly separate the three functional entity types, ambiguities should be minimized leading to a significant reduction in the potential number of applicability assessment requests made to the AESO.

ATCO appreciates AESO’s efforts to resolve the issue related to inadequacy of Act definitions for the purposes of ARS. However, we remain of the view that the language changes presently

proposed by the AESO do not add the needed clarity to provide the certainty participants require to determine reliability standard applicability to their facilities. ATCO urges the AESO to consider our suggestions regarding the development of applicability language as our belief is that all components of reliability standards should be written in plain language, and applicability should be absolutely clear and based on the reliability intent of the standard.

Thank you for the opportunity to provide this position letter. Should you have any questions or if you would like us to provide a specific example, please contact the undersigned at 403-245-7521 or mary.dylke@atcopower.com.

Regards



Mary G. Dylke
Team Lead, Compliance

Appendix A - *Electric Utilities Act* Definitions

Electric Utilities Act definitions for generating unit and transmission facility are as follows (emphasis added):

1(1)(u) “generating unit” means the component of a power plant that produces, from any source, electric energy and ancillary services, and includes a share of the following associated facilities that are necessary for the safe, reliable and economic operation of the generating unit, which may be used in common with other generating units:

- (i) fuel and fuel handling equipment;
- (ii) cooling water facilities;
- (iii) **switch yards**;
- (iv) other items;

1(1) (bbb) “transmission facility” means an arrangement of conductors and transformation equipment that transmits electricity from the high voltage terminal of the generation transformer to the low voltage terminal of the step down transformer operating phase to phase at a nominal high voltage level of more than 25 000 volts to a nominal low voltage level of 25 000 volts or less, and includes

- (i) transmission lines energized in excess of 25 000 volts,
- (ii) insulating and supporting structures,
- (iii) substations, **transformers and switchgear**,
- (iv) operational, telecommunication and control devices,
- (v) all property of any kind used for the purpose of, or in connection with, the operation of the transmission facility, including all equipment in a substation used to transmit electric energy from
 - (A) the low voltage terminal, to
 - (B) electric distribution system lines that exit the substation and are energized at 25 000 volts or less,and

(vi) connections with electric systems in jurisdictions bordering Alberta, but does not include a generating unit or an electric distribution system;

Appendix B – AESO’s Proposed Language

The AESO’s proposed applicability language for EOP-001 is as follows:

This reliability standard applies to:

- (a) the operator of a transmission facility that is part of the bulk electric system; and
- (b) the ISO.

This reliability standard does not apply to the operator of a transmission facility whose transmission facility is a radial connection from a generating unit or an aggregated generating facility to either the transmission system or to transmission facilities within the city of Medicine Hat.

From its Nov 24/11 Reply to Stakeholder Comments on Consultation, the AESO summarized its position as follows (additional wording):

Certain stakeholders made various recommendations for exclusionary language for “generator interconnection facilities”. In response to these comments, the AESO replied that it disagreed that the term “generator interconnection facility” is required for proposed EOP-001-AB-2. In the AESO’s opinion, the definitions of “transmission facility” and “generating unit” and the current wording of the applicability section of proposed EOP-001-AB-2 provides sufficient clarity of the applicable facilities under proposed EOP-001-AB-2. For example, if “switch yards” associated with generating units were to be included in proposed EOP-001-AB-2, then the following wording would appear in the applicability section: “The operator of a generating unit, that portion of which, but for the exclusion of generating unit in the definition of transmission facility, would otherwise meet the criteria for being a transmission facility that is part of the bulk electric system.”

Appendix C – *Transmission Regulation Language*

Examples of *Transmission Regulation* language distinguishing connection facilities (emphasis added).

Example 1:

5(1) The ISO may make standards, having common application, respecting either or both of the following:

- (a) transmission facilities or **interconnection to transmission facilities**, or both, including
 - (i) maintenance standards and criteria, and
 - (ii) performance standards that apply with respect to a category or type of transmission facility;

Example 2:

12(1) The ISO must make rules or establish practices for an abbreviated needs identification approval process for

- (a) each **system access service interconnection**, and
- (b) each transmission facility project of a nature, size and cost determined by the ISO rules.

12(2) In making rules or establishing practices under subsection (1), the ISO

- (a) must consult with the Commission,
- (b) must comply with any Commission directives or orders respecting an abbreviated needs identification approval process, and the nature, size and cost of an **interconnection** or project referred to in subsection (1), and
- (c) may omit or modify any requirement of this Regulation respecting a needs identification document that, in the ISO's opinion, is not required for an abbreviated needs identification approval process.

Example 3:

28(1) The ISO must include in the ISO tariff

- (a) **local interconnection costs**, as defined by the ISO, payable by an owner of a generating unit for connecting to the transmission system,
- (b) the terms and conditions, and
- (c) provisions for the recovery of **local interconnection** costs from owners of generating units.

Appendix D – Applicability Assessment Estimate

Standard	Applicability Assessment Required with AESO Proposed Language
EOP-001	<p>R3 – Operating emergency plans for the transmission system may include equipment that is part of the connection of a generator to the Bulk Electric System, however generation connection equipment is not explicitly exempted in the current proposed language, thus clarification on this item would be requested.</p> <p>R4 – As generating units do not have control over the load shedding, clarification is needed to determine if a generating unit with a non-radial connection would need to file for an exemption for this to pass an audit.</p>
COM-001	<p>Clarification is required to determine the applicability of a generating unit’s connection facility’s telecom devices for this standard. The exemption language proposed in EOP-001 only refers to the radial connection, which may not include telecom devices.</p>
EOP-008	<p>This standard references control centers. This may be appropriate for large TFOs; however, it is not clear that generation station control centers are included or excluded.</p>
PER-003	<p>The proposed version of PER-003-AB-0 includes the following exemption language: “the operator of a transmission facility whose only transmission facility(ies) on the bulk electric system is a radial line(s) connecting a generating unit to the interconnected electric system.”</p> <p>ATCO does not find this exemption adequate and would seek clarification to determine whether generation facilities with high voltage equipment in addition to a radial connection line would be subject to this standard. If this is the case, further clarification is needed to determine whether operators of this equipment would require NERC certification.</p>
PER-005	<p>If the standard applicability language excludes the radial high voltage power line, then clarification is still required to determine if any of the other associated connection equipment is included.</p>
VAR-001	<p>R2 – As proposed, this requirement requires further clarification to determine if a generator connection facility would need procedures for monitoring system level items.</p> <p>R7 – As proposed, this requirement requires clarification for a generator connection facility; as a generator already reports the items described.</p>