



Compliance Monitoring and Enforcement

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AESO Stakeholder Conference

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Overview

- Background
- Timeline
- Legislative Base
- Compliance Program
- High-level Compliance Steps
- Administration and Enforcement
- Stakeholder Consultation Next Steps



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Background

- An AESO commitment to address compliance rules was made in Fall 2004 as part of Short-term Adequacy consultations
- Open to input regarding the steps and guiding principles with respect to the monitoring, investigation and enforcement of ISO rules (except rule 7 and rule 8)
- Not intended to address the MSA mandate, but rather to ensure monitoring and enforcement of ISO rules by the AESO

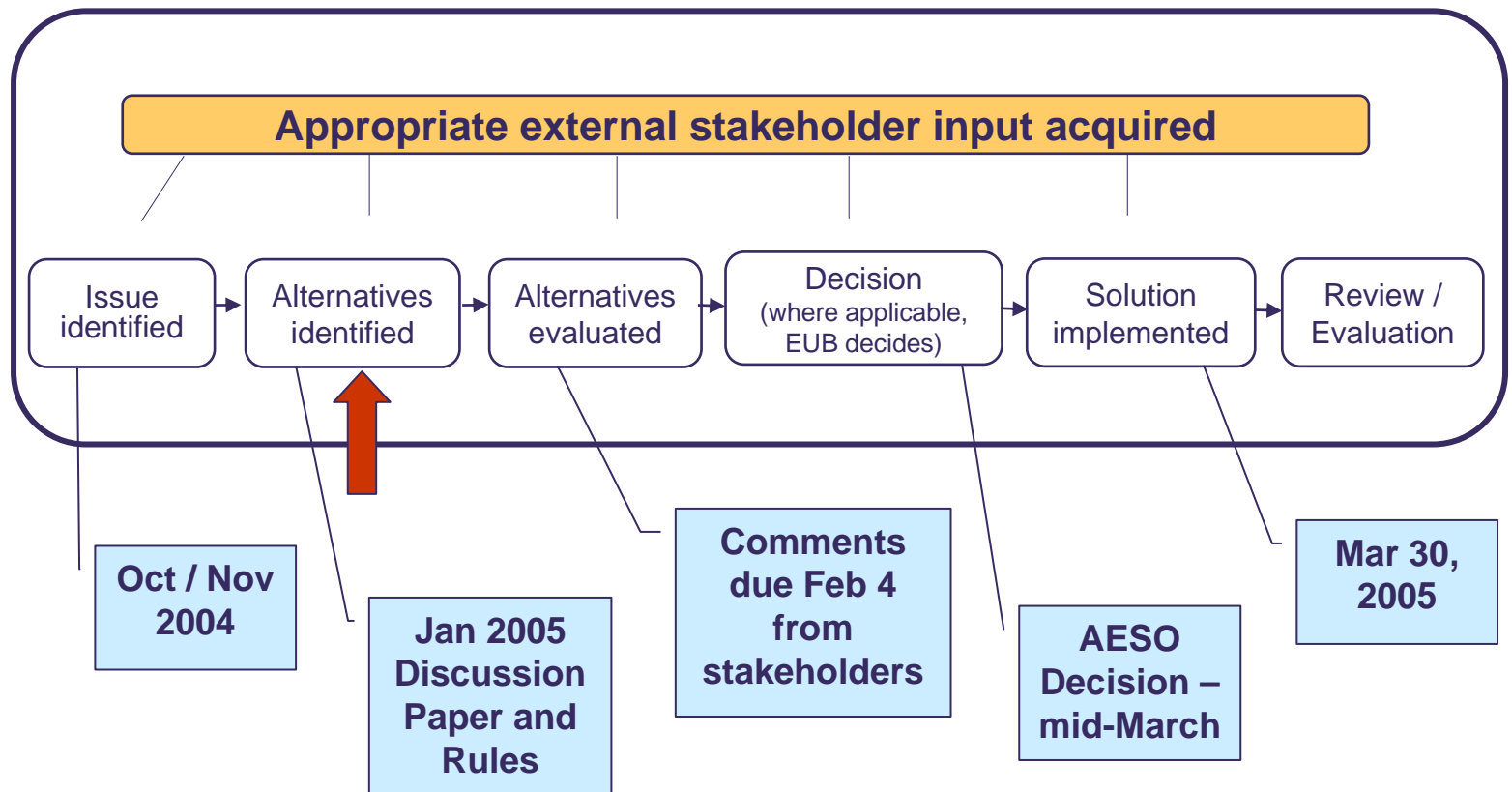


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Timeline

The AESO Consultation Process



Legislative Base

- Provisions within the *Electric Utilities Act* (EUA) speak to compliance, sanctions and enforcement of ISO rules
- AESO will work within the provisions of the EUA to:
 - enable the AESO to make ISO Rules (s. 20);
 - require market participants to comply with ISO Rules (s. 20);
 - enable the AESO to impose sanctions or administrative penalties for contravention of ISO Rules (s. 22); and,
 - address enforcement of the ISO Rules (s. 23).
- Proposed compliance rules are not intended to modify what is already addressed in the EUA
- Intent is to establish consistent and transparent practices with respect to compliance



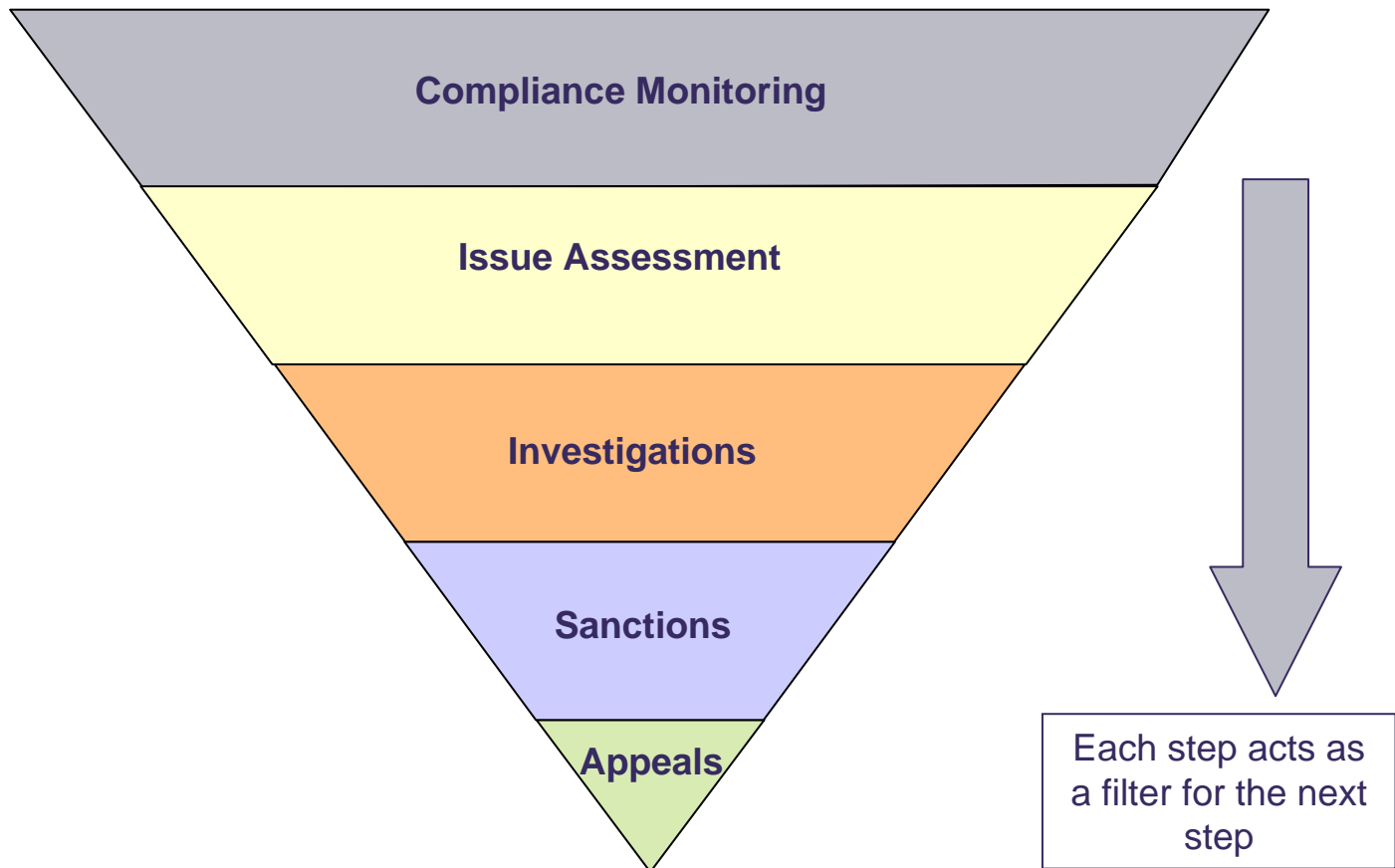
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Compliance Program

- Goal is to establish a fair, well-understood, credible and enforceable approach to compliance
- Consistent with obligations under the *Electric Utilities Act*
- Builds confidence in a fair, efficient and openly competitive market
- Facilitates enhanced system reliability



Compliance – Five High Level Steps



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Compliance Monitoring

- *Definition:* observing for the purpose of ensuring compliance
- Primary information source is existing data collected by the AESO
- Focus of compliance monitoring will change from time to time (without notice) as circumstances dictate
- Additional information may be required from time to time:
 - AESO will make written information request
 - Follow-up if information not provided within specified period of time
 - Used only for compliance-related purposes
 - Information will be returned upon request



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Issue Assessment

- *Definition:* initial evaluation of issue that has been identified
- Issues can be identified via several avenues:
 - Internal Monitoring or Referral
 - Referral by the MSA, EUB or Crown (DOE)
 - External Referral
 - Complaint
- Issues assessed and screened to determine if an investigation should be conducted. Considerations might include:
 - Nature of issue
 - ISO rule breached
 - Severity
 - Jurisdiction
 - Review and analysis
 - Impact to market or AIES
 - Appropriateness of investigation
 - Need to communicate with market participants



Investigations

- *Definition:* a more detailed review into an issue or allegation
- Would be based on an established set of guidelines
- Conducted on a confidential basis
- Would allow for written representations and meetings with the market participant prior to senior management review
- Would result in a recommendation to AESO senior management
- Senior management review could accept / reject / modify recommendations, refer to another agency, issue an ISO order
- ISO orders could include:
 - Non-compliance letter
 - Administrative penalty
 - Deny, suspend, restrict or terminate the right to exchange energy
 - Impose other sanctions, restrictions or reporting requirements



Sanctions

- Warning letters, non-compliance letters and administrative penalties would be a function of the level and frequency of non-compliance
- Other sanctions would be dealt with on a case-by-case basis
- Consideration would be given to established guidelines and mitigating factors
- A separate process may be required where an ISO order seeks to deny, suspend, restrict or terminate the right to exchange energy
- Suggesting the imposition of administrative penalties would be posted to the AESO website:
 - a) When an ISO order is issued, or
 - b) After the complaints process at the EUB is exhausted, or
 - c) Not at all
- All ISO orders that deny, suspend, restrict or terminate would be sent to all market participants and posted to the AESO website



Sanctions Matrix

Level of Non-Compliance	First Failure to Comply in a Rolling 12 month period	Second Failure to Comply in a Rolling 12 month period	Third Failure to Comply in a Rolling 12 month period	Fourth and Subsequent Failure to Comply in a Rolling 12 month period
Level 1 Little or No Impact *	Warning letter	Warning letter or non-compliance letter	Warning letter, non-compliance letter or an administrative penalty of up to \$2,000 per day	Warning letter, non-compliance letter or an administrative penalty of up to \$10,000 per day
Level 2 Material Impact *	Warning letter or non-compliance letter	Non-compliance letter or an administrative penalty of up to \$5,000 per day	Non-compliance letter or an administrative penalty of up to \$25,000 per day	Non-compliance letter or an administrative penalty of up to \$100,000 per day
Level 3 Severe Impact *	Warning letter, non-compliance letter or an administrative penalty of up to \$5,000 per day	Non-compliance letter or an administrative penalty of up to \$25,000 per day	Non-compliance letter or an administrative penalty of up to \$50,000 per day	Non-compliance letter or an administrative penalty of up to \$100,000 per day

* Impact is considered relative to other market participants, the operation of the market and the operation of the AIES



Appeals

- Warning letters may be appealed, in writing, within 30 days, to the AESO officer that is directly responsible for the subject area
 - No further appeals within the AESO
- Non-compliance letters may be appealed, in writing, within 30 days, to the AESO Chief Executive Officer
 - No further appeals within the AESO
- ISO orders that deal with any other matter would not be subject to appeal within the AESO
- Any person may file a complaint regarding an ISO order to the Alberta Energy and Utilities Board as per section 25 of the *Electric Utilities Act*



Administration and Enforcement

- Penalties to be administered through the pool statement
- AESO will forward administrative penalties to the Balancing Pool, as required by section 22(4) of the EUA
- Enforcement of an ISO order will be made through section 23 of the EUA
- Time limitation on proposed sanctions – limited to three (3) years after the date of the event that constitutes non-compliance



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Stakeholder Consultation Next Steps

- Discussion paper released for comment on January 17 (comments due by February 4)
- Draft compliance rules to be released for comment on January 21 (comments due by February 4)
- AESO ERC (Executive Rules Committee) decision mid-March
- Proposed rule change implementation March 30
- Contact Darin Lowther at (403) 539-2779 with comments and questions (darin.lowther@aeso.ca)



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