

# AESO Reliability Committee (ARC)

ARC Workgroup Report – Compliance Work Group  
February 28, 2008

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# Topics



1. Compliance monitoring for NERC Standards
2. Need for an Alberta model
3. Establish a Compliance workgroup under ARC
4. Review Terms of Reference

# NERC Standards – Compliance



- Alberta is in the process of adopting NERC standards, which includes two components,
  - Technical standard – technical requirements that must be complied with
  - Compliance standard - measures, reporting requirements, monitoring processes, non-compliance assessment levels, and penalty assessments
- WECC has established a Compliance Monitoring and Enforcement Program (CEP) that defines how compliance will be carried out
  - The program defines processes, templates, worksheets, audit requirements, mitigation options, record management, etc.
  - This program is being implemented in the US last year, and has been in effect since June 1, 2007.
- Stakeholders are having difficulty understanding, complying with, and responding to the CEP. The WECC is having difficulty carrying out the program effectively.
  - Independent user groups have formed to lobby and address issues that they feel WECC is not adequately addressing
  - WECC is implementing changes on the fly to address process issues

## Need for an Alberta Model

- Alberta cannot implement the WECC CEP model
  - Act and Regulations have defined a different structure and model for compliance in Alberta, where responsibilities for compliance and enforcement will rest with 3 agencies (AUC, MSA, and AESO) and not a single agency (WECC)
  - The CEP model is not in alignment with other established compliance methods used for market rules, load settlement, and other rules
- We are aware of the considerable difficulty, WECC and the stakeholders are experiencing in the CEP model, and hope to avoid those problems
  - Examples – mitigation plans submitted without further direction; boxes of audit data requested but unprocessed; lack of clarity in reporting requirements leading to insufficient or non-required data being submitted; lack of consistent interfaces and standards for data submission.
- Alberta has an opportunity to establish a compliance program that meets requirements in an efficient and manageable way
  - Reduce the high level of effort and stress for all organizations, and minimize the added costs in the end, while ensuring compliance to important standards

# Today



- ARC workgroups are reviewing standards, but only from the technical perspective. Compliance standards are not being reviewed by the Standards Review workgroups.
  - In the future, we expect that where a standard is being reviewed, both the technical and compliance components will be reviewed together.
  - For those standards adopted without compliance standards, a process will be established to re-review them
- To enable that – there must be a compliance program developed that defines how compliance will work in Alberta with respect to reliability standards
  - Reliability standards are different from other ISO Rules that are now subject to ISO Rule 12, in that AESO must be align with the intent of NERC standards to the extent possible, and that Alberta must be able to demonstrate compliance with adopted NERC standards.

## Proposed ARC Workgroup

- AESO is looking for your input to develop the compliance program
  - By establishing a new workgroup under the ARC
  - To provide advice in accordance with the Terms of Reference for the workgroup
  - To be completed by or before July 1<sup>st</sup>, 2008
  - For implementation by January 1<sup>st</sup>, 2009
- The workgroup will have completed it's duties by July 1<sup>st</sup> and be dissolved, unless otherwise directed by ARC
- Draft Terms of Reference – provided for comment

# Terms of Reference

## Purpose



- **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.

# Terms of Reference

## Workgroup Membership



- **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.

# Terms of Reference

## Principles



- **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

# Terms of Reference

## Scope and Duties (In-Scope)



- **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 workgroups, parties, or agencies

# Terms of Reference

## Scope and Duties (Out of Scope)



- 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)

# Terms of Reference

## Workgroup Administration



- **Compliance Workgroup 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.
- **Workgroup 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 workgroup)**
  - Workgroup will meet approximately every 2-3 weeks
  - Commencing in April 2008
  - Workgroup 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 Reference

## Terms of Engagement



- **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.

# Questions?



## Next Steps

- Interest in participating in the workgroup – submit names and contact information by March 15
- Please submit comments on the Terms of Reference by March 15
- Will contact workgroup members, provide Terms of Reference, set up meetings, address administrative issues
- Organize first meeting with workgroup participants in April
- Questions, please contact:
  - Peter Wong, Director Compliance
  - [Peter.wong@aeso.ca](mailto:Peter.wong@aeso.ca) (403-539-2552)

# ARC Compliance Workgroup Meeting #1

ARC Workgroup Report – Compliance Workgroup

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# MRS compliance monitoring program requirements



- Requirements:
  - Enable AESO to effectively monitor standards
  - Enable AESO to identify and address non-compliance events
  - Enable AESO to efficiently report on compliance to the Board
  - Meet the overall intent of NERC standards ?
- Minimizing...
  - Impact to overall market participants
  - Costs to industry
- <Should introduce AESO developed compliance principles>

# Terms of Reference – why is a program needed?



- Overall to monitor compliance – our mandated role – no question as to the authority, but a question as to how it is done, and to what extent
- AESO needs to set and defend the compliance standard that it puts in place; too lenient- it's ineffective, too onerous – too high an effort
- Constraints – want a solution that meets our mandate and principles, minimizes effort in the industry, follows the intent of NERC program, and can be implemented
- Can use NERC program that is already used in the US
- Opportunity to improve efficiency – same way to submit data and reports, consolidate reports for timing, treatment of reports, rollup and analysis, consistency of submissions, simplify...
- Not a cover for non-compliance

## Terms of Reference – scope

- Not ISO Rule 12 issues – deal with overall AESO compliance process, roles, and responsibilities
- Not focused on Penalties and Enforcement
- Focus on Compliance Program development, specifically with respect to ISO Rules adopted for MRS <for standards that apply to MPs, not ISO – those developed later>
  - Different because there exists a NERC compliance program, which accompanies the NERC standard
  - NERC compliance standard is quite high effort and onerous to implement; from participant as well as from compliance office

# Rule 12 vs. MRS Compliance Program



- Rule 12
  - Applies to all compliance – sets out general practices, responsibilities, and process for AESO to carry out mandate
- Compliance Program
  - Subordinate to ISO Rule 12
  - More specific – will set out activities and where they apply
  - Not measures – those defined with the rule
  - Frequency of reporting – rule specific?
  - Actions that AESO will consider in determining non-compliance?
  - What components will be incorporated and how?
  - Reporting requirements – formats, timing, completeness
  - AESO reporting to AUC and WECC
  - AESO process for follow up, expected response

# What is a Compliance Monitoring Program?



- NERC Model components
- 8 components that apply
- Process for each component
- Reporting standards that apply
- Schedule of audits, reviews, reporting

## What's not in scope?

- AESO needs to be sure what is not up for discussion
  - Need for compliance program
  - Need to establish the level of compliance needed
  - How to perform the compliance monitoring?
  - Reporting requirements

## Draft Plan and Schedule (prep)

- ARC presentation – Feb 28
  - Request for participation
  - Draft terms of reference provided...
  - Input into workgroup direction
- Workgroup Meeting #1 – by March 21
  - Review terms of reference, guiding principles, other administrative related topics
  - Review and revise topic list, scope and overall plan for workgroup
  - Schedule discussion of issues, finalize schedule and plan
- Meeting #2 – by March 31
  - Review finalized schedule and plan
  - Start discussion on issues on plan
- Meeting #3 – mid-April
- Meeting #4 – mid May
- Meeting #5 – mid June
- End of June

# Topics for Input/Discussion (prep)



1. ISO vs. MP Compliance - applicability
2. Intent of Compliance – FYI, to encourage right behavior, compliance to standards
3. Standards Adoption – process and workgroups
4. Compliance Overview – Alberta framework; monitoring vs. enforcement;
5. NERC Program Overview – largely informational and directionally focused
6. Compliance components – what is reasonable in Alberta – NERC model
7. Mitigation Plans –
8. Internal Compliance Plans -
9. Reporting requirements – level of detail, timeliness, completeness, exemptions, templates, formats, (NERC RSAW model)
10. Reporting Mechanisms – physical submission, security, use, etc
11. Schedule of reporting – make this efficient, not content, but process
12. Schedule of audits – where required, can they be scheduled in advance?
13. Implementation Plan - <where there is a requirement to make changes, transition plan, etc.>
14. Implementation dates – how we roll the compliance plan in place for 2008
15. AESO Reporting

## Consultation Process (prep for WG)



- Maintain topic list – topics discussed won't be added for re-discussion
- Discussion of each topic – review draft proposal; alternatives; issues; preferences; within time constraints
- Consider input in draft program, address issues to the extent possible; draft circulated at next meeting for information, not further discussion
- AESO will draft program
- Final draft provided for workgroup comment and refinement
- Opportunity to be on record, where there is a difference in position

## Reference Material (prep for WG)



- Alberta legislation – Transmission Regulation, AUC, etc
- Guidelines for Creating and Implementing an AB Compliance Monitoring Program (AESO)
- Proposed ISO Rule 12 and revisions
- WECC Compliance Monitoring and Enforcement Program – October 16, 2007

# Meeting #1 – Alberta Model (prep)



- Compliance and enforcement model
  - AESO – monitor and identify events of non-compliance
  - MSA – prosecutes suspected non-compliance
  - AUC – adjudicates and enforces penalties
- In WECC
  - WECC – carries out end to end function – from monitoring to penalty assessment
  - <make detailed picture or chart to illustrate differences>

# Meeting #1 – Standards Interface



- Standards review process
  - Standards are set
  - Measures are set for the standard
  - Identifies compliance requirements for the standard (consistent with the compliance program)
  - <refer to ARC Standards Work Group>
- Compliance process
  - Sets standards for monitoring through the compliance program (also consider how AESO will be responding in this process)
  - Tracks reporting compliance – timeliness and completeness
  - Reviews reports for non-compliance
  - Audits to ensure reporting is accurate
  - May conduct additional monitoring separate from reporting

# AESO Compliance to NERC Standards



- AESO is responsible for compliance of Alberta entities to ISO Rules (which include Alberta adopted NERC Standards)
  - AESO takes the ‘general compliance role’ in Alberta that WECC has with respect to monitoring compliance with US entities
  - AESO will work with WECC and NERC to establish Alberta’s overall reporting and compliance commitments through agreements
- AESO is responsible itself to comply with Alberta adopted NERC Standards
  - WECC will take on the role of monitoring AESO for compliance to standards that apply to AESO

## Next Steps

- Development of a compliance framework
  - Will include stakeholder consultation
  - Terms of reference will follow
  - Will need further clarity on newly set agency roles
  - Process will be announced to the ARC
- Contact:
  - Peter Wong, Director Compliance
  - [Peter.wong@aeso.ca](mailto:Peter.wong@aeso.ca) (403.539-2552)

# Our Given Mandate Section 23 of the Transmission Regulation



- Section 23 - Compliance monitoring and reporting
  - 23(1) The ISO must make rules respecting its practices and procedures for monitoring compliance with and enforcement of
    - (a) reliability standards, and
    - (b) the standards and rules made under section 5.
  - (2) The ISO must make annual reports to the Board respecting
    - (a) compliance by the ISO, TFOs, DFOs and other market participants with reliability standards and standards and rules made under section 5, and
    - (b) any action taken by the ISO to enforce reliability standards and standards and rules made under section 5.
  - (3) TFOs, DFOs and other relevant market participants must assist the ISO in preparing reports under subsection (2).

## Meeting the mandate

- AESO proposes to meet the mandated requirements by,
  - Establishing overall rules and practices for monitoring compliance under ISO Rule 12, and
  - Specifically for reliability standards, develop an MRS compliance monitoring program, and
  - Develop an Annual Compliance Report for the Board, and
  - Demonstrate that Alberta has adopted and is complying with North American reliability standards to the extent that those standards are applicable (not mandated)
- AESO will do this with input from the industry and proposes to
  - Establish a workgroup under the ARC, Compliance Workgroup
  - To provide input to AESO in developing a compliance monitoring program
  - To be completed by end of 2Q 2008
  - And to be adopted as sub-part of ISO Rule 12, and be implemented by 4Q2008 (to the extent possible)