

Stakeholder Comment & AESO Response Form

November 6 , 2008

Date of Request for Comment: 2008-08-13

Stakeholder Consultation Period: 2008-08-13 through 2008-09-12

1.1 Process for Adoption of Alberta Reliability Standards

Stakeholder	Stakeholder Comment	AESO Response
<u>ATCO Power</u>	<p>1. ATCO Power believes that the reliability standards would be better suited to implementation as “standards” instead of directly as “rules”. This would allow for the use of tailored compliance mechanisms such as mitigation plans which ATCO Power feels could be both flexible and effective. Ultimately, compliance could still be enforced via an overarching rule.</p> <p>ATCO Power requests that the AESO consider the “standards” approach and if rejected, provide its reasoning. ATCO Power is particularly concerned with the compliance process that these standards will be subject to if they are put directly into the rules; especially because the AESO has yet to provide any guidance on how compliance could be handled.</p>	<p>1. Re: Implementing reliability standards directly as ISO Rules vs. as “reliability standards”.</p> <p>As you know from the AESO’s communication to stakeholders at the outset of the consultations regarding these “Reliability Standards” (see ISO letter posted on AESO website dated August 14, 2008), (“Alberta Reliability Standards”) consideration had been given to proceeding with these standards both as a “reliability standard” within the meaning of the <i>Transmission Regulation</i> (“T Reg.”) and directly as ISO Rules.</p> <p>In the circumstances, we have decided to submit an application pursuant to section 19 of the T. Reg. for approval of the Alberta Reliability Standards.</p> <p>As well, we intend to determine, as soon as possible, the appropriate ISO Rules that may need to be put forward pursuant to Section 23 of the T-Reg.</p> <p>Re: ATCO Power’s “compliance process” comment</p> <p>As noted above, AESO is proceeding with these standards as ‘reliability standards’. For compliance and enforcement, the AESO intends to determine, as soon as possible, the appropriate ISO Rules required</p>

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		pursuant to Section 23 of the T-Reg.
<u>ENMAX</u>	<p>1. At the Alberta Reliability Standards Implementation Stakeholder session held September 3, 2008, the AESO noted that it had considered two approaches to the move to mandatory reliability standards. An “ISO Rules” approach had the advantage of having an existing process for filing and dealing with objections, whereas a “Reliability Standard” approach had no such process. ENMAX believes that reliability standards are different enough to warrant a separate process, and we request that the AESO re-examine its choice.</p> <p>The reason ENMAX supports a separate process is that the ISO Rule approach operates under AUC Rule 17, which in turn triggers AUC Rule 19. In ENMAX’s view, NERC standards (which are really “guidelines” that have been renamed to “standards”) are not sufficiently detailed in many cases to justify specified penalties for their contravention.</p> <p>NERC’s approach to compliance and enforcement is fundamentally different than the approach taken by the Alberta Market Surveillance Administrator, as the attached fact sheet outlines. The NERC program encourages (and obtains) self-reporting, and it uses negotiations to settle any disputes and to determine a monetary penalty if necessary. NERC has the discretion to calculate a penalty without collecting it, a level of flexibility that is expected and desirable (and arguably not available to the MSA) when addressing standards. ENMAX notes that standards are more related to <i>infrastructure</i> than to <i>market behaviour</i>, and also notes that, while system reliability is a core</p>	<p>1.Re: Implementing reliability standards directly as ISO Rules vs. as “reliability standards”. See AESO Response to ATCO Power comments above.</p> <p>As noted above, the AESO intends to determine, as soon as possible, the appropriate ISO Rules that may need to be put forward pursuant to Section 23 of the T-Reg.</p> <p>The scope of the Alberta Reliability Standards extends beyond system infrastructure requirements and also cover operating and interactive/coordination activities among the various entities. All entities involved must be able to meet the requirements established in the Alberta Reliability Standards in order to ensure that the electrical system is operated in a reliable manner, which in turn will allow the energy and ancillary services markets to work properly. As per paragraph 39(1)(i) of the <i>Alberta Utilities Commission Act</i>, the MSA has the mandate</p>

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	<p>responsibility of the AESO, the primary focus of the MSA is the market.</p> <p>2. The following excerpt from NERC’s annual report illustrates its view that the AESO will be the reliability standards enforcement agency in Alberta: NERC Compliance Monitoring and Enforcement Program 2007 Annual Report June 2008 - Alberta Jurisdiction, Status: A mechanism is in place for reliability standards to become mandatory, but none are yet mandatory. That mechanism is for the Alberta Electric System Operator to submit standards to the Alberta Energy Board for approval. The reliability standards in force will be the NERC standards, to the extent the AESO adopts them, recommends them to the Board for approval, and the Board approves them. The AESO may also adopt and recommend for Board approval other reliability standards to take the place of one or more NERC standards. Enforcement of reliability standards within Alberta is to be conducted by the AESO. The AESO is a signatory to the WECC Reliability Management System agreement.</p>	<p>“to carry out surveillance in respect of the supply, generation, transmission, distribution, trade, exchange, purchase or sale of electricity, electric energy, electricity services or ancillary services or any aspect of those activities”, and the AESO believes that enforcement of the Alberta Reliability Standards falls within this mandate.</p> <p>2.Re: NERC annual report comment</p> <p>The quotation in the opposite column does not reflect the current legislation in Alberta. Clearly, with Bill 46, made law as of January 1, 2008, to a large extent the enforcement responsibilities of the AESO were removed and, made to reside with the MSA.</p>
<p><u>EPCOR</u></p>	<p>1. The ISO has indicated that its current plan is to adopt the proposed Reliability Standards as an “ISO rule”, rather than as “standards” as permitted under ss. 5 and 19 of the Transmission Regulation. EPCOR requests that the ISO reconsider this process for adoption of Reliability Standards. Section 5 of the</p>	<p>Re: Implementing reliability standards directly as ISO Rules vs. as “reliability standards”. See AESO Response to ATCO Power comments above.</p>

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	<p>Transmission Regulation permits the ISO to make standards with respect to a number of transmission related issues.¹ Section 19 of the Transmission Regulation requires the ISO to adopt reliability standards from the Western Electric Coordinating Council (“WECC”) and the North American Electric Reliability Council (“NERC”) and other similar entities “<i>to the extent that those reliability standards . . . are adopted by the ISO</i>”. In adopting those standards, the ISO is required to consult with directly affected market participants and to forward the proposed standards to the “Board” for review with a recommendation that the Board either approve or reject the standards. The “Board” is empowered to approve or refuse to approve the reliability standards and to inform the ISO of its decision. The ISO is empowered, under s. 7 of the Transmission Regulation, to make rules respecting any standard referred to in the Transmission Regulation or to adopt standards as a rule.</p> <p>It is clear from these provisions that “standards” are different than “rules”. The Transmission Regulation specifies different consultation and approval process for standards than for rules. Similarly, there are specific provisions for enforcement of</p>	<p>See AESO Response to ATCO Power comments above. Also, we are of the view that the MSA does have authority to enforce both ISO Rules and Alberta Reliability Standards. The authority for the</p>
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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,
 - (ii) performance standards, and
 - (iii) reliability standards,

that apply with respect to a category or type of transmission facility;

- (b) the operation and security of transmission facilities, including
 - (i) emergency and security standards and procedures,
 - (ii) reciprocal restoration agreements,
 - (iii) policies on sharing spares,
 - (iv) a common spares policy, and
 - (v) respecting issues of security and public safety.

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	<p>breaches of ISO rules in the Alberta Utilities Commission Act, but not with respect to standards. Suspected contraventions of ISO rules are clearly required to be referred to the MSA for further enforcement decisions (s. 52, Alberta Utilities Commission (“AUC”) Act); there is no similar provision with respect to breaches of standards that have been adopted by the ISO. In fact, s. 23 of the Transmission Regulation appears to contemplate that the ISO retains some responsibility for enforcement with respect to reliability standards.² This is consistent with other jurisdictions where ISOs retain responsibility for such enforcement tools as mitigation plans. This regulatory scheme affords the ISO the flexibility to encourage compliance with standards through such mechanisms as mitigation plans, before engaging in enforcement action through the MSA and AUC. Mitigation plans have been a cornerstone of the reliability standards program in the United States and should also be a primary tool for this program in Alberta. The ISO is clearly the agency with the appropriate expertise to assess the technical efficacy of a mitigation plan. An ISO rule to enforce compliance with mitigation plans would be an option available to the ISO for dealing with parties who do not meet their obligations under their mitigation plans.</p>	<p>latter results from the fact that the ‘approval’ of these Alberta Reliability Standards will be by an “order” or “decision” of the AUC and the MSA has broad and explicit authority in the <i>Alberta Utilities Commission Act</i> to enforce these on its own initiative or on referral from another party. With respect to s. 23 of the T-Reg., we are not of the view that this gives the AESO the explicit authority to carry out enforcement of Alberta Reliability Standards.</p>
<p><u>TransAlta</u></p>	<p>1. There is some merit in the reliability standards being adopted by ISO as standards (pursuant to s.19 of the Transmission Regulation) rather than ISO rules under the EUA. Reliability standards are by their nature subjective, so it would be wise for</p>	<p>1.Re: Implementing reliability standards directly as ISO Rules vs. as “reliability standards”. See AESO Response to ATCO Power and EPCOR comments above.</p>

² 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 Commission 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.

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	<p>the ISO to maintain some discretion regarding compliance with the reliability standards. This would allow the ISO to consider mechanisms for compliance such as mitigation plans prior to referring a matter to the MSA or AUC. If the reliability standards are adopted as standards under s.19 of the Transmission Regulation then the ISO, as the agency with the expertise regarding reliability standards and compliance, would retain such responsibility and discretion (if the reliability standards were adopted as ISO rules under the EUA, then pursuant to s.21.1 of EUA, the ISO would have to refer any suspected contravention to the MSA, without the ability to consider mitigative actions such as compliance plans prior to referring a matter to the MSA or AUC).</p>	
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1.2 TOP-005-AB-1 Operational Reliability Information

Stakeholder	Stakeholder Comment	AESO Response
<u>ATCO Power</u>	<ol style="list-style-type: none"> 1. ATCO Power is concerned that the data requirements for generators are not clearly defined in TOP-005-AB-1. Collecting some data may prove to be costly. 2. We request that the AESO provide clear information on what “operating data” is proposed, the process for justifying additional data requests and how the information transfer would occur. 	<p>1. TOP-005-AB-1 does not establish generator data requirements as these are specified in other AESO Rules.</p> <p>2. We acknowledge that ATCO Power, EPCOR and TransAlta are not clear on AESO’s use of pool participant in this standard. We offer the following explanation. This standard applies primarily to the AESO and TFOs, however Requirement 5 contains a pool participant obligation to provide operating data. For context, the equivalent requirement in the NERC standard TOP-005-1 applies to purchasing selling entities (PSE). Pool participants are the nearest Alberta equivalent to PSE. We included Requirement 5 to remain consistent with the NERC requirement relating to PSEs providing operating data.</p> <p>In order to make the Requirement clear, we have removed the word “operating” from the term “operating data” since “operating data” is not a defined term. Also, we revised Requirement 5 to identify that data required to be provided by pool participants will be as specified in other ISO Rules. Our requirements for data from pool participants are currently (and adequately) met when participants comply with any ISO Rules requiring data submission. The following examples are ISO Rules that require data submission from pool participants.</p> <ul style="list-style-type: none"> • Rule 1.1 - Requirements of Becoming / Application to Become a Pool Participant part f) requires that applicant has provided facility requirements as set out in the ISO Operating

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		<p>Policies and Procedures, according to specifics of that applicant’s particular facility.</p> <ul style="list-style-type: none"> • Rule 3, the full purpose of the rule is to prescribe the process and conditions by which a pool participant submits offers, bids and provides other asset declarations. • Rule 6.3.3, the pool participant must submit electronic tags (e-tags) for each interchange transaction. • Rule 6.7.2 contains a requirement for pool participants to use reasonable efforts to promptly advise the system controller upon becoming aware of any circumstance with respect to its facilities that could be expected to adversely affect system security or the AIES’s ability to deliver energy
<p><u>EPCOR</u></p>	<p>1. EPCOR has concerns with this standard, as it is not clear to us what specific obligations are imposed on market participants under the standard. As an example, the standard imposes the following obligations on “pool participants”:</p> <p><i>“R5 Upon request, each pool participant must provide to the ISO information that is necessary to enable the ISO to conduct operational reliability assessments and coordinate reliable operations.”</i></p> <p><i>“MR5 The pool participant must provide to the compliance monitor, within 30 days of a request, a confirmation letter dated and endorsed by an authorized representative of the ISO confirming that the pool participant has provided the data requested by the ISO. The letter will state whether the ISO has received the data from the pool participant in tie time interval</i></p>	<p>1. This standard primarily applies to the AESO and TFOs. In Requirement 5, pool participant was chosen as it reflects the nearest NERC functional model equivalent to PSE. Please see AESO response 2 to ATCO Power for a more detailed response to the similar issue raised by ATCO Power.</p>

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	<p><i>specified and the format agreed upon.</i></p> <p>2. An Appendix is attached to the standard but it does not indicate which entities are required to provide which information. We assume that the information required to be provided is specified in the attached Appendix; however, it is not clear which of the types of information described in Appendix 1 to the Standard is required to be provided by “pool participants”. This demonstrates one of our concerns with this standard being enforced as an ISO rule. It is not clear to us on the face of the document what a pool participant’s obligations are under this standard. If it is intended to be enforced as a rule, with some form of penalty resulting from breaches of its terms, the standard should be much clearer about market participant obligations.</p> <p>In addition, if it is intended that “pool participants” are expected to provide the information listed in sections 1.2 – 1.4 of the Appendix to the standard, that information would be more appropriately provided by the owner or operator of a generating unit. It is our understanding that the NERC functional model does not prohibit responsibility for these functions to be appropriately allocated among Alberta entities. We would suggest that the obligations be more clearly spelled out among the various market participants who are physically capable of providing the required information directly to the ISO or to the compliance monitor.</p> <p>3. Furthermore, the standard identifies definitions that are not currently part of the most recent version of Part One of the ISO Rules posted to the ISO website, including “Balancing Authority”, “compliance monitor”, “Interconnection Reliability Operating Limit”, “operating reserve”, “peak demand”, “System Operating Limits”, and Transmission Operator”. Is it intended that these definitions will be added to the definitions in Part One of the ISO</p>	<p>2. The information in Appendix 1 identifies the types of data that the AESO, TFOs, Reliability Coordinators, Balancing Authorities, and Transmission Operators are expected to provide and share with each other and does not apply to pool participants (refer to preface to Appendix 1)..</p> <p>3. The definitions of the terms identified in the standard are either included or will be included in the definitions in Part One of the ISO Rules. These definitions were included in the proposed level 1 rule changes that were posted for stakeholder consultation.</p>
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	Rules, and at what point will market participants be provided with an opportunity to review these definitions?	
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<p><u>TransAlta</u></p>	<ol style="list-style-type: none">1. Applicability: Pool Participants. While we this is a defined term, it appears quite broad compared to how applicability is shown in the other standards. Is it the intent of that this includes GFOs, TFOs, ISO etc and all other remaining pool participants? If so, would be more consistent to show this way. 2. Compliance: The NERC Standards contain a section on Compliance and in particular Levels of Non-Compliance. We believe this information is useful for the market participant to assist them in better understanding the standard and how to comply with the standard. This information should be added back to the standard in some form. 3. General: We would prefer to review and comment on the Standards with any associated compliance and/or penalty information as part of the standard. Understanding how violations may impact the reliability of the Bulk Power System and how any such violations may be interpreted is important to seeing the “whole picture”.	<ol style="list-style-type: none">1. In the original NERC requirement, the applicable entity is the PSE (refer to Requirement 4 in the NERC standard) and this function correlates to pool participants in the Alberta reliability framework. The intent of NERC’s requirement is to ensure that PSEs (marketers) have an obligation to provide operating data to reliability entities, but it does not specify the data. Please see above AESO response 2. to ATCO Power for a complete response to the similar issue raised by ATCO Power and EPCOR. 2. The levels specified in NERC standards directly relate to NERC’s penalty assessment and enforcement model, which is not likely to be the same as in Alberta. Through the development of clear and specific measures for the requirements ensures that Alberta’s market participants have clear understanding of compliance requirements. 3. Our past and current practice with the non-reliability related ISO Rules do not contemplate provisioning of compliance and/or penalty information associated with them when they are filed with the Commission. We do recognize that the additional information may be helpful, and we have initiated discussions with the Commission to address this issue. However we do not view it as essential to have this information for market participants in order to assess or understand whether the proposed rule is technically
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1.3 FAC-003-AB-1 Vegetation Management

Stakeholder	Stakeholder Comment	AESO Response
<u>TransAlta</u>	<p>1. Applicability: Should be reworded to ensure that the applicability is to “generating facility owners that own transmission facilities operated at 200kV and above”. The current wording does not necessarily make that clear. The applicability as drafted can be interpreted as i) applies to entities listed below and ii) transmission facilities operated at 200 kV and above . . . Without the clarification the entities listed below could mean generating facility owners with transmission facilities as defined in the Electric Utilities Act – which is 25 kV and above.</p> <p>“ . . .and any lower voltage transmission facilities designated by the ISO as critical to the reliability of the AIES.” The standard should specify where and/or how the ISO will specify such critical facilities.</p> <p>2. Measures: MR1: “The TFO must prepare and update a TVMP in accordance with the ISO TVMP template.” We believe this template should be provided at this time as it is integral to understanding the requirements of this standard.</p> <p>3. Compliance: The NERC Standards contain a section on</p>	<p>1. The AESO agrees that the wording is not as clear as it should be. The statement will be reworded as follows: “This reliability standard applies to the entities listed below with transmission facilities operated at 200 kV and above and any lower voltage transmission facilities designated by the ISO as critical to the reliability of the AIES. “</p> <p>The AESO agrees the standards should specify which critical facilities. An appendix has been added identifying applicable lines that are less than 200 kV. The 138kv lines that form part of the BC inter-tie have been added to the appendix. The AESO believes any facilities that may be added to this list in future will come as a result of system reliability studies or disturbance events and will be added to the appendix using the rule change process.</p> <p>2. The AESO will be leading the development of the required templates and anticipate the templates will be developed by year end. The templates will provide the formatting of the information identified in the Requirements.</p>

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	<p>Compliance and in particular Levels of Non-Compliance. We believe this information is useful for the market participant to assist them in better understanding the standard and how to comply with the standard. This information should be added back to the standard in some form.</p> <p>4. General: We would prefer to review and comment on the Standards with any associated compliance and/or penalty information as part of the standard. Understanding how violations may impact the reliability of the Bulk Power System and how any such violations may be interpreted is important to seeing the “whole picture”.</p>	<p>3. Please see AESO response 2 to TransAlta in the section on TOP-005-AB-1 Operational Reliability Information.</p> <p>4. Please see AESO response 3 to TransAlta in the section on TOP-005-AB-1 Operational Reliability Information.</p>
<u>Name</u>		